U.S. Department of State
FY 2000 Country Commercial Guides: Finland

The Country Commercial Guides for Finland as prepared by U.S. Embassy Helsinki and was released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

TABLE OF CONTENTS

MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: - Market research

APPENDIX G: - Trade event schedule

This Country Commercial Guide (CCG) presents a comprehensive look at Finland’s commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

I: EXECUTIVE SUMMARY

Situated in northern Europe, Finland is a country with an open market economy; about 40 percent of GDP comes from foreign trade. Finland's membership in the EU (1995) has resulted in a further opening of the markets to international companies. Most Finnish enterprises are privately owned. Most state-controlled companies operate on a commercial basis, according to free-market principles. Finland's business attitude towards the United States is positive and business relations between Finnish and U.S. companies are often based on many years of mutual experience.

Besides holding a leading position in wood-based industries, Finland is the world leader in the manufacture of paper machinery, cellular phones, medical devices and instruments for environmental measurements. The primary competition for American companies comes from European suppliers, especially German, Swedish, and British (see best prospects section for detailed description of competitor market shares by industry sectors).

Finnish - U.S. Trade

The U.S. position as Finland's most important trading partner outside of Europe was solidified in 1998. With an 8.2 percent share of imports, the United States is Finland's third largest supplier after Germany and Sweden, moving ahead of the United Kingdom and Russia in the past year. The total value of U.S. exports to Finland in 1998 was FIM 14.2 billion (USD 2.7 billion). Major exports from the United States to Finland are aircraft, aircraft parts, computers, peripherals and software, electronic components, electric machinery, chemicals, telecommunications equipment and services, medical equipment, and some agricultural products. This trend is expected to continue through 1999 and 2000.

The main export items from Finland to the United States are paper and paperboard, ships and boats, ferrous and non-ferrous metals, paper industry machinery and electric machinery. The United States is also Finland's fourth largest customer after Germany, Sweden, and the United Kingdom. The U.S. share of Finnish exports in 1998 was 7.3 percent, or FIM 16.8 billion (USD 3.2 billion).

Finland's Surging High-Tech Sector

Finland's electronic and electrical sector overtook the forest products and metal industries as the country's largest export industry. In 1998, high-tech exports were 27 percent of total Finnish exports and increased in volume by 21 percent over 1997. Production in this sector has increased almost five-fold since 1990 and by 33 percent in 1998 alone. The sector also accounts for 63 percent of all industry R&D funds in Finland. The sector's net profits increased by about 25 percent, net sales and exports increased by almost 40 percent in 1998.

Finland's largest company, Nokia, is number one manufacturer of mobile phones in the world. Over 65 percent of Finns own a mobile phone and there are more Internet connections per capita in Finland than in any other country in the world. Finland's impact on the future of the information technology and wireless communications industries will certainly be very significant and not in proportion to the size of the country.

Finland, a Springboard to Russia and the Baltic Countries

Finland's gateway position between east and west was also emphasized when Finland became a member of the EU and will be strengthened during Finland's EU Presidency (July-December 1999). As the only EU member state bordering Russia, Finland is a vital transit channel to the Russian markets. Over 40 percent of the EU's road shipments to Russia are shipped from Finland or arrive via Finland.

Finns know how to do business in Russia and the Baltic States. Finland's excellent infrastructure and its geographical proximity to Russia and the Baltic countries, especially Estonia, give Finland an advantage as a gateway to the east. Many foreign and U.S. companies are using Finland as a base for opening their transportation and marketing activities to the former Soviet Union.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at http://www.stat-usa.gov, http://www.state.gov, and http://www.mac.doc.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exports seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

II: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

The Finnish economy has continued its recovery from the devastating 1990-93 recession; in early 1997 GDP returned to pre-1990 levels.

From June 1991 to September 1992 the Finnmark was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. In September 1992, the Bank of Finland decided to abandon the limits of the fluctuation range and allow the Finnmark to float. Finland joined the Exchange Rate Mechanism (ERM) of the European Monetary System in October 1996, at the central rate of 1 ECU = FIM 5.80661 (currently 1 ECU = USD 1.0221). As of January 1, 1999, 11 EU member countries including Finland joined the third stage of the EMU. This third and final stage of EMU commenced with the irrevocable locking of the exchange rates of the eleven currencies participating in the Euro area and with the conduct of a single monetary policy under the responsibility of the ECB. The Finnmark was pegged to the Euro at 5.9457.

Economic growth in Finland has shifted from export led growth to domestic demand led growth. EU and EFTA countries continued to absorb the bulk of Finnish merchandise exports. In 1997 their average share was 57 percent. Over the same period, Finland's exports to other European countries (including Russia) accounted for 16 percent, East Asian countries 11 percent, and the USA 7 percent. Overall, exports grew 13 percent in 1998. Growth in exports were sluggish during the first half of 1999 largely due to a slowdown in growth of world trade, economic difficulties in Russia and Asia and partly owning to the capacity constraints faced by the export industry. Strong growth in the electronics industry is expected to make overall merchandise exports grow relative to last year. The volume of exports is forecasted to grow by 3.5 percent in 1999 with export prices 2.5 percent lower than last year.

The regional distribution of Finland's imports has been quite similar to that of exports with the EU and EFTA countries accounting for 64 percent and other European countries for 12 percent. Imports from outside Europe are primarily from Asia and the USA with less than one percent coming from Africa. In 1997, the value of imports began to reflect the strong economic growth of the Finnish economy increasing volumes by 10.5 percent. This growth continued during 1998 where the value of imports increased by 12 percent during the first six months compared to the same period the previous year. Growth in 1998 was estimated at 9.5 percent and the projected growth for 1999 6 percent. Imports for the first three months of 1999 were lower than the same period last year. Overall growth in imports is forecasted to decrease by 4.5 percent for the year.
In 1997, the volume of exports in the forest industry increased by 15.5 percent. But with volatile export prices, the actual price level remained about one percent lower than the year before. Export growth is estimated at 5 percent in 1998 and 1.5 percent in 1999. In 1997, the forestry industry accounted for 30.7 percent, metal and engineering industry 50.9 percent and other goods 18.4 percent of all exported goods.

In 1998, the share of paper industry exports was 23.7%, share of machinery and metal production 20.7%, and the share of electrical equipment and electronics 25.6%. Raw materials accounted for 50.2% of total merchandise imports, energy 1.9%, investment goods 36.4%, consumer goods 5.3% and other goods 6.2%.

GDP in 1998 was FIM 675.7 (USD 127) billion and growth rate during the first part of 1999 was in the range of 4 percent per annum. With signs of other sectors excluding electronics are recovering, GDP for 1999 is forecasted at 3.6 percent, in year 2000 3.3 percent and year 2001 3.4 percent.

In spite of the continued economic growth, wage developments have remained restrained. In 1999, the index of wage and salary earnings is projected to rise by an average of 2.7 percent from 1998. With the number of hours worked continuing to rise, the wage bill is set to increase by 6 percent. However, should the salary negotiations during autumn 1999 lead to a moderate settlement, price rises are expected to remain below 2 percent.

Private consumption was up 4.5 percent in 1998 and is forecasted to grow by 3.8 percent in 1999, 3.4 percent in 2000, and 3.2 percent in 2001. Consumer confidence remains high overall.

An income policy agreement was contracted on December 12, 1997 by the Finnish central labor market organizations, which covers all wage and salary earners and is effective until January 15, 2000. The cost effect of the pay increases included in the agreement will be, on average, 2.6 percent as calculated from the beginning of 1998, including a general increase of 1.7 percent, an amount equal to 0.5 percent of the wage bill in each branch to be used to correct distortions within the branches with a high incidence of female and low-paid employees.

Global economic growth is anticipated to recover next year meaning that Finnish exports can be expected to increase considerably faster than this year if cost developments remain restrained. The domestic economic fundamentals also indicate continued growth with low interest rates perking increases in demand. The growth rate in both private investment and private consumption is forecasted to remain unchanged in year 2000.

Fuelled by low interest rates, the growth in lending and economic growth in general is creating a sharp increase in employment. The unemployment rate is expected to be 9.3 percent in 2000.

Central government finances are forecasted to go into surplus, but the rate of growth depends on the type of changes in taxation during the autumn of 1999. Local government finances are expected to record a FIM 2 billion (USD 377 million) surplus in year 2000, as growth in tax receipts accelerate. The financial surplus in the social security funds are predicted to reach FIM 26 (USD 4.9) billion in 2000, 3.5 percent of GDP.

Principal Growth Sectors

Manufacturing: Output in the manufacturing industry continued to be boosted by the manufacturing of electrical equipment. Output grew by over 46 percent in March 1999. The growing domestic demand and brisk construction activity are the main factors contributing to the growth. The capacity utilization rate was 91 percent during the spring of 1998. Operating profits in the manufacturing industry stood at 12.6 percent in 1998, but is forecasted to decrease in 1999 due to lower exports. Overall growth in the manufacturing industry is estimated to decelerate to 4 percent in 1999.

Metal and engineering industry output increased during 1999 and is expected to grow by 6.5 percent. Production in electronics and electrical engineering industries recorded a growth of 29 percent during the first part of 1998 with the telecommunication sector having a record growth of 45 percent. Global success in telecommunications warrants growth in demand, but capacity limits and shortages of skilled labor are gradually beginning to set limits on the growth potential in Finland.

Output in base metals increased by 6.5 percent in 1998 and the expansion in the capacity is expected to allow for more growth during 1999. However, profitability on basic metals is expected to fall due to low price levels. The production of machinery, metal products and transport equipment increased by 6.2 percent in March 1999, however overall growth is expected to be low. The stock orders in the ship-building industry remains good, though capacity will not be able to sustain further rapid growth in 1999.

The output in the agriculture and forestry industry grew during the beginning of 1999 due to an 11 percent increase in commercial fellings. Output in the forest industry grew 5 percent in 1998 and is anticipated to grow by 3 percent in 1999. In the paper production industry, the capacity utilization rate rose to 99 percent in the first part of 1998 as output grew by 9 percent. A number of stoppages occurred during the summer of 1998 in the pulp and fine paper production in order to retain the existing price levels. With brisk construction activities perking domestic demand, output in the wood products industry increased by 7 percent. Construction activities are anticipated to grow by 5 percent in 1999 with the main focus of new building.

Agriculture: During 1998, Finland faced its worst crop failure in a decade. It is estimated that 442,000 hectares suffered from crop damage. The losses were the greatest in the production of cereals, oil seed, potatoes and hay. In the livestock sector, such losses translated into mainly increased production costs. Dairy farm income – the backbone of Finnish agriculture – declined by 9 percent in 1998, in pig farms and cereals farms, the decrease was much bigger. However, the compromise outcome of Agenda 2000 negotiated by the European Ministers of Agriculture in March 1999, contained some favorable elements with respect to Finland. Of special importance was drying aid for grains and oilseeds, and aid for grass silage. The delay of the price cut of milk reform until 2003, makes the situation easier now, although there might be problems later on if the compensation does not cover losses caused by the price cuts. The final decision on beef is acceptable. In addition, Finland considered it very important that both the scheme of degressive aids and the scheme of shared financing of the aids were rejected.

Overall economic growth was strong in 1998. The growth was driven mainly by domestic consumption, which increased by approximately 3%, while exports decreased. Domestic consumption is expected to stay at the same level in 1999 and 2000.

Services: Value added in private services has grown by one fifth during the past four years; in 1997 production increased by a good 4 percent, but in some sectors, such as commerce and financial intermediation, output still falls short of the level of early this decade. The service sector is altogether estimated to grow by over 10 percent in 1999.

Output in trade and commerce grew by 5.5 percent last year, and sales figures in the first half of this year have also been high. Purchases in cars, household appliances, computers and furniture are particularly widespread. With household purchasing power increasing, sales volumes in the retail trade are set to increase considerably during 1999, and growth in industrial output will ensure the wholesale trade of machinery and equipment. Brisk construction of single-family houses and other construction in turn promises to increase construction materials acquisitions.

Hotel and catering services saw a 5 percent rise in 1997 compared to the year before, and with the increase in household purchasing power, hotel and catering services are set to continue growing during 1999. With EU presidency in Finland in 1999, international tourism is estimated to increase, although the number of Finns travelling abroad is also expected to rise.

Output in transport and communications was up by as much as 9.5 percent in 1997. Demand in transport services by land, water and air alike was robust in 1997, but is expected to level off during 1999. Growth in passenger traffic and tourism is also expected to continue, owing among others to sea cruises and package tours to countries in the south.

In other private services growth was recorded in activities serving businesses, where there was a one tenth increase in activities, with developments for both this and next year promising to remain strong. Growth areas range from computer services, construction technology and other planning services, to advertising and security services. The pick-up in demand for loans and the rise in share prices, in turn, fuels activities in financial intermediation.

Government Role in the Economy

During the severe recession of the early 1990s, the Finnish government’s financial position deteriorated rapidly. The government became deeply indebted because, as tax revenues fell, transfer payments under the country’s extensive social welfare programs rose dramatically. At the same time, the government was forced to bail out several major banks whose failure would have prompted a collapse of the banking system. Since then, the major aim of the government’s fiscal policy has been to curb the growth of indebtedness. At the end of 1998, the public (EMU) debt was 49.8 percent of GDP.

The SDP - Conservative government, which began in March 1995 and after the elections in 1999 is still in power, will continue to work to improve the government’s financial situation. The government has promised decisive action to increase employment, hoping to reduce unemployment to 9.3 percent by the year 2000. The government adopted a package of measures aimed at cutting the number of jobless over the next few years. The program for employment aims to deepen the process of gradual re-employment, cut the tax wedge by reducing unemployment insurance, social security and pension contributions with a view to stimulating purchasing power and increasing demand for labor. The program also aims to create the basis for a stronger labor market by reforming working life, improving vocational training, introducing work sharing, encouraging private sector growth, and stimulating the housing and building industry.

The Finnish government has traditionally played a large role in the economy. In the decades since World War II, state-owned companies have held a dominant position in Finland’s national economy. Since 1993 the state of Finland reduced its ownership in 13 state companies. In 1997 the Finnish state reduced its holding in 4 state-owned companies, Kemijoki (energy), Rautaruukki (metal & engineering), Enso (forest) and Sisu (transport equipment). The state continued its privatization program by privatizing tele-operations.

The basic strategy for the privatization process has been to treat each company as an individual case and act in a practical way, on market terms. The program's aim is to reduce the government's stake through stock transactions rather than by selling off companies to individual investors. Recent examples include the IPO of Sonera (former Telecom Finland) and HPY and the selling of Enso to Stora. In virtually every case, however, the Finnish government has retained significant minority stakes in privatized companies. The government has restructured some of these companies to make them more attractive to investors.

Balance of Payment Situation

With the onset of Stage Three of EMU on January 1, 1999, Finland´s national balance of payments lost its importance for monetary and exchange rate policy. In the future, the European Central Bank will aggregate all of the EMU member states' balance of payments and report them quarterly. Only the current account for the whole euro area can effect the euro´s exchange rate against the major currencies. Despite the slowdown in the rate of growth of exports towards the end of 1998, the surplus on the current account was FIM 37.3 billion representing 5.6 percent of total output. The current surplus resulted in a further decline in the level of Finland´s external debt, which totaled FIM 175 (USD 33) billion at the end of 1998. The surplus in the current account is forecasted to remain at a strong 4.7 percent of GDP in 1999.

The surplus on the trade account amounted to FIM 56.9 (USD 10.7) billion in 1998, an increase of FIM 5 billion (USD 943 million) from the previous year despite the slowdown in exports. The major reason for the slowdown in export growth was slacking demand and global oversupply of manufactured goods. Investment income account weakened to some extent despite the decrease in interest payments on interest-bearing external debt. The deterioration in the account was due to an increase in dividend payments on shares held by nonresidents.

The financial health of Finnish companies has improved substantially in the last three years. As a result of the exceptionally deep recession, households and enterprises have become increasingly cautious in their behavior. The savings rate of households is high, as they pay off their debts and housing investment remains low. The savings rate for the economy as a whole exceeds the investment rate, which is reflected in the wide current account surplus.

The financial deficit (net lending) in central government finances diminished by almost FIM 15 (USD 2.8) billion in 1998 on the year before, and was recorded at 1.5 percent of GDP. These auspicious developments are mainly the result of a major tax accrual, but expenditure growth has also been rather moderate owing both to consolidation measures and a favorable economic cycle. Central government debt stood at FIM 420 (USD 79) at the end of 1998, which is slightly more than 62 percent relative to GDP.

Central government tax receipts are anticipated to grow by about 5 percent in 1999; with earned income and private consumption increasing, taxes levied on earnings and production activities will grow. Corporate taxes are not expected to grow much. Income from state property suggests a decrease of about one-fifth owing to the fall in interest rates and a decline in dividend income. All in all, central government income is forecast to grow by 3.5 percent this year.

Central government expenditure is set to remain restrained. The remaining phases in the savings programs will continue to cut expenditure somewhat, and cyclical effects are also favorable as unemployment expenses decline. The decade-long rise in interest payments will now take a downward turn. Central government total expenditure is expected to slightly decrease. Notwithstanding the distinct slowdown in income growth, the financial position in central government will continue to improve, and net borrowing relative to GDP will fall to _ percent. The central government debt ratio to GDP is forecast at a 60 percent level.

General government finances went into a financial surplus in 1998. The financial policy continued to be restrictive. This year public sector finances are also expected to show a clear surplus, actually slightly stronger than earlier predicted. This is largely due to continued robust domestic demand. The general government EMU debt was just below 50 percent of GDP last year, and the debt ratio is set to continue decreasing for the remainder of 1999.

Capital outflows exceeded inflows by FIM 8.0 (USD 1.5) billion in the first quarter of 1999 with Finnish companies exporting FIM 10.7 (USD 2) billion worth of capital in net terms.

Foreign direct investment by Finnish companies has expanded at an accelerating pace over the last few years. The figures for the first quarter of 1999 were FIM 17.8 (USD 3.3) billion outward and FIM 5.2 billion (USD 981 million) inward. FIM 14.5 (USD 2.7) billion worth of outward investment was accounted for by intergroup loans and trade credits. The Merita Nordbanken and StoraEnso mergers explain the exceptionally large figures for direct investment and inward portfolio investment in 1998. Capital outflows related to direct investment amounted to almost FIM 50 (USD 9.4) billion, three times larger than in 1997.

In 1997, the major immediate host countries for Finnish direct foreign investment were Sweden (FIM 7.5 - USD 1.5 billion), the Netherlands (FIM 5.8 – FIM 1.1 billion), and the US (FIM 4.6 billion – USD 902 million). Finnish companies repatriated FIM 3.9 billion (USD 765 million) in dividends, FIM 1.5 billion (USD 294 million) in interest and remitted to them FIM 0.6 billion (USD 118 million)in interest from their foreign subsidiaries and associates.

In 1997 foreign companies invested equity capital in their Finnish subsidiaries and associates in the amount of FIM 11 (USD 2.2) billion in net terms, up from FIM 5.1 (USD 1.1) billion in 1996. The major immediate investor countries were Sweden (FIM 2.3 billion – USD 450 million in 1997) and the Netherlands (FIM 1.7 billion – USD 333 million in 1997). Dividend and interest payments to foreign investors amounted to FIM 2.9 billion (USD 569 million) and FIM 0.4 billion (USD 784 million) respectively in 1997. Retained earnings of foreign owned enterprises in Finland amounted to 3.6 billion (USD 706 million) in 1997.

Investment outflows continue to exceed direct investment in Finland. Some tax changes, the promotion of Finland as a gateway for Russian markets and Finnish membership in the EU may encourage foreigners to invest more in Finland, but their main emphasis is expected to remain on share and bond investments.

Infrastructure

Finland has a well-developed infrastructure. Finland’s transportation system is based on an efficient rail and road network, supported by a wide network of freight forwarders and trucking companies. Finland's domestic distribution system for goods and services is efficient. Finland has more than 50 ports and loading places. Twenty-three seaports are open year round. Finnish ports, 15 of which deal with transit traffic through Finland, can handle a wide range of shipments and goods. The ports on the Gulf of Finland handle about 50 percent of all general seaborne cargo traffic. The ports near the Russian border (Hamina, Kotka and Mustola) concentrate on forest industry goods, bulk cargo and free zone activities. Ports are secure and automated; loading and unloading operations are consistently quick and trouble free.

The well-functioning transportation system and the fact that Finland's rail gauge is the same as Russia's make the country a good transshipment point for Russian trade. Among other projects, Finland is developing the "gateway" concept further by maintaining and extending a highway in southern Finland that would reach the Russian border at the southern Vaalimaa crossing point. The E18 road is part of the European Union Trans European Road Network system, connecting EU-member Nordic capitals with efficient roads.

Finland’s international telecom set-up began to admit limited competition in 1993, with further deregulation on July 1, 1994. On the domestic telecommunications front, competition entered the picture at the beginning of 1994. In the next few years, the sectors of telecommunications and information technology will continue to grow rapidly. Finland´s telecommunications environment is one of the most advanced in Europe and the growth of international business in telecommunications is of significant importance to the Finnish economy.

Access to telecommunications networks and information services by operators in electronic commerce is currently being planned as is the availability of efficient cryptographic products in national and international communications and in electronic commerce.

Finland was the first country to grant licenses for third generation mobile networks. Four telecommunications companies received a license to construct a 3G mobile network. Operations will be launched by January 1, 2002 at the latest.

During the next few years, a major change in mass media will be digital radio and television transmissions. A test network for digital radio transmissions will be built in the areas of Helsinki, Lahti and Tampere. The Ministry of Transport and Communications declared the licenses for digital radio and television broadcasting operations open for application in December 1998, which attracted a lot of interest. Digital television transmissions should start in 2000.

The Finnish government and private sector have advanced IT systems with well-trained staff. In general, IT managers are confident that year 2000 problems are being effectively addressed. Few (if any) serious problems are anticipated.

III: POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States

Relations between the United States and Finland are excellent and free from bilateral disputes except for occasional minor trade disagreements, now largely subsumed by the broader U.S.-EU trade relationship. The U.S. cooperates with Finland in various international organizations such as the UN, OSCE, and OECD. Finland's 1995 accession to the European Union (EU) has added a new dimension to U.S.-Finnish relations. Both countries share a deep interest in the stable political and economic development of Russia and the Baltic States. This shared interest is reflected in the U.S. Northern European Initiative (NEI) and the EU's Finnish-inspired "Northern Dimension" program, both of which aim at developing the Nordic-Baltic-NW Russia region.

Finland remains militarily nonaligned, but is an active participant in NATO's Partnership for Peace program and in the NATO-led peacekeeping mission in Bosnia. In addition, Finland plans to take part in the NATO-led peacekeeping operation in Kosovo.

Major Political Issues Affecting Business Climate

Finland took the historic step of joining the EU in January 1995. A new parliament was elected in March 1999. The president, the governing coalition, the opposition, and the Finnish public hold firmly to Finland's current policy of military nonalignment. Public debate about possible Finnish membership in NATO, which began in 1996, continues. One of the key issues for Finland's EU Presidency (July-December 1999) will be Kosovo reconstruction. In 1998 Finland's parliament easily approved a government motion to have Finland enter the first round of the EMU. EU membership for the Baltic States is a Finnish priority.

Social Democratic Prime Minister Lipponen's broad, five-party coalition continues to face high unemployment (10.3% according to the Ministry of Finance) and is trying to prune but preserve the welfare state. Cooperation between Social Democrats and Conservatives may prove difficult during Lipponen's second term due to respective losses and gains in the March 1999 parliamentary elections.

Nevertheless, the Lipponen government's budget cuts have generally gone well. Government, labor unions, and employers reached broad, tripartite income policy agreements in 1995 and 1997, helping to dampen inflation and preserve prospects for continued economic growth. The government hopes to do the same in 1999. Finland's high unemployment rate has declined slowly but steadily from a peak of 18.2% in 1994 to the current 10.3%. Another challenge for the government is finding a consensus on how to meet increased energy since the government includes a Green Party strongly opposed to expanding the use of nuclear energy.

Brief Synopsis of Political System, Schedule for Elections and Orientation of Major Political Parties

Finland is a parliamentary democracy, headed by a strong president. However, the country's new constitution will considerably reduce presidential powers. The president is elected for a six-year term and has primary responsibility for foreign and security policy. The Prime Minister is head of government and has responsibility for domestic affairs. However, Finland's accession to the EU has blurred the line between foreign and domestic policy. The president of Finland is Martti Ahtisaari, who took office in March 1994. He has decided not to run for re-election in January 2000.

Parliamentary elections are normally held every four years; the most recent election was in March 1999. Social Democratic Party chair Paavo Lipponen continues as Prime Minister for a second consecutive term. Lipponen's government is composed of a broad "rainbow" coalition of parties with the Center Party in opposition. Nine parties are currently represented in the 200-member unicameral legislature: the Social Democrats (51 seats), the Center Party (48), the Conservative Party (46), the Left Alliance (20), the Swedish People's Party (12), the Green League (11), the Christian League (10), the True Finns (1), and the "Reform Group" (1). The governing coalition consists of the Social Democrats, the Greens, the Left Alliance, the Swedish People's Party, and an independent minister of agriculture.

Principal Political Parties

Social Democratic Party (SDP): The SDP is an urban-based party with close ties to labor unions. Despite its Marxist origins a hundred years ago, the SDP of today is supportive of the market economy and individual rights. At the same time, it is also supportive of the Nordic welfare state. Under its chairperson PM Paavo Lipponen, the party strongly supported Finnish entry into the EU in 1995 and into the Economic and Monetary Union (EMU) in 1999. The SDP has, for the past few years, attempted to lower the high unemployment rate and cut the budget deficit while retaining the core of the welfare state.

Center Party: Formerly called the Agrarian Party, the Center Party pursues the interests of farming and rural communities. The Center was strongly divided over Finnish accession to the EU and the EMU. As the party with the widest geographic support, the Center's challenge is to appeal to urban and suburban voters in southern Finland. Left outside the government for the second consecutive time after the March 1999 elections, party chairperson and former Prime Minister Esko Aho has decided to run in the January 2000 presidential election. Many consider the Center to be the true "conservative" party, especially on social issues.

Conservative Party: The largely urban-based Conservative Party (Kokoomus) would not, by U.S. standards, be termed "conservative". The party re-entered government in the 1980's after a twenty-two year hiatus. It gained seven seats in the most recent parliamentary elections, a larger gain than any other party. Under the leadership of its chairperson, deputy PM and Finance Minister Sauli Niinisto, the party has favored fiscal restraint, deregulation, and lower taxes. However, like the other major political parties, the Conservative Party is strongly supportive of the welfare state. The Conservatives strongly support Finnish EU membership and draw support from business sector and from other professional and white-collar employees. Even though individual Conservative leaders and the party’s youth organization have advocated Finnish NATO membership, the party backs the government’s posture of military nonalignment.

Left Alliance: A conglomeration of socialists, ex-communists, and disenchanted Social Democrats, the Left Alliance also draws support from the trade unions. A strong leftist tradition, combined with workers’ concern that the Social Democrats are too centrist, helps maintain Left Alliance support. Dynamic young chairperson Suvi-Anne Siimes, elected in the spring of 1998, has attracted greatly needed young voters. Siimes’ academic training as an economist and her non-doctrinaire approach to politics have been important for her success and that of the party. However, cooperation with the Conservatives and Social Democrats within the Lipponen government has been difficult, mainly because of the hard-line faction that still exists in the Left Alliance.

Swedish People's Party: The party draws its support from Finland's small (six percent) Swedish-speaking minority. It is generally center-right and supportive of EU membership. The party has been at home in both socialist and non-socialist governments, using its swing vote to protect Swedish-speaking community interests. Prominent party officials have advocated Finnish membership in NATO, though this is not currently a party-wide position. Among the advocates of NATO membership is Elisabeth Rehn, now a UN special envoy in Bosnia. Rehn came in second in the 1994 presidential elections and is now leading all polls for the upcoming (2000) presidential elections.

Green League: The first green party to serve in government in Europe, Finland's Greens stress social and environmental issues. They couple opposition to nuclear energy with a moderate approach to key issues such as forestry, taxation, and the welfare state. They have strong appeal to young, urban voters and especially women. Nine of their eleven MPs are women.

IV: MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

Distribution channels in Finland are similar to those in the United States. Metropolitan Helsinki, the capital of Finland, is the major business center with a current population of about 900,000, housing many head offices of Finnish industrial, commercial associations and large corporations. Many foreign companies also use Helsinki as their regional headquarters for Baltic and Russian operations.

Goods may be sold through an agent, distributor, established wholesaler, or by selling directly to retail organizations. The majority of Finnish commission agents are members of the Finnish Foreign Trade Agents' Federation, which has 18 divisions for different products. These commission agents are relatively small, private companies, most of them operating in sectors such as textiles, apparel, furnishings, and raw materials.

Privately-owned wholesalers and trading houses are particularly strong in certain specialized sectors, such as electronics, electric components and instruments, pharmaceutical and health care products, technical products and machinery, raw materials and chemicals. Most of these importers and wholesalers are members of the Federation of Finnish Commerce and Trade, which is a central organization for 41 trade associations covering the bulk of foreign goods sold to Finnish trade and industry.

Typical Product Pricing Structures

Prices are set individually by companies. Products in Finland are usually priced using the following method: CIF price + import duty + excise tax + profit + VAT (value added tax).

Use of Agents and Distributors; Finding a Partner

One exclusive agent/distributor is usually appointed to cover the entire country, mainly due to the relatively small size of the Finnish market. Finnish importers often represent several different product lines. In selecting a representative, the exporter should check whether that company handles competing products. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. Such products may also be sold directly to retail chains, department stores, and other retail outlets.

Contacting local trade associations for a list of importers is a good way of finding a distributor in Finland. Finnish importers also attend major trade fairs in Europe and in the United States in order to find new products and ideas, but also to find new representation. The Commercial Section of the American Embassy also assists in finding agents/distributors for U.S. exporters through Agent/Distributor Search, Gold Key Service, and other networking activity.

Franchising

The total market for franchising in Finland was estimated at $1.9 billion in 1998. According to a survey made by the Finnish Franchise Association (FFA), there are about 150 franchise chains in Finland of which about one-third are foreign owned. In 1998, the sales of franchising companies increased by 15 percent. Franchising has increased in popularity during the past few years, as investors better understand the business concept, e.g. franchising involves lower risks for companies expanding their operations. For more information on franchising see chapter V -Best Prospects-.

Direct Marketing

Direct marketing as a media includes direct mail and direct response advertising (press, radio, television). As a way of selling it covers mail order, direct selling and telemarketing. Both direct sales and mail order sales are showing a steady growth in Finland.

The Consumer Protection Law and the Data Protection Law are the two most important laws controlling direct marketing and sales in Finland.

The Finnish Direct Marketing Association (FDMA) has also adopted "The Rules for Fair Play", a code of ethics, which all of its member companies have to observe in Finland. FDMA also maintains a so-called 'Robinson's Register' consisting of people not wanting their contact information to be used for direct marketing.

Joint Ventures/Licensing

Licensing agreements are quite common in Finland because of the good quality of Finnish manufacturing, the small size of the market and the relatively high cost of transporting goods to the country. Royalties and licensing fees may be freely transferred out of Finland.

Several U.S. companies have established themselves in the Finnish market with subsidiaries or joint ventures, with particular interest access to Finnish-Russian joint ventures. A number of Finnish firms are interested in using their long-established contacts in the former Soviet Union and the Baltic countries to market U.S. goods. Due to its physical proximity, and Finland's network of rail road and air connections, there are many strong selling features regarding access to Russia. As a full member of the European Union, Finland has its feet firmly planted in the west but possesses unique access to and expertise about the Russian market.

Steps to Establishing an Office

If a foreign organization intends to establish an office in Finland, the following steps should be followed:

1) Drafting the Memorandum of Association
2) Drafting the Articles of Association
3) Subscription of the shares
4) Constituent meeting of the shareholders
5) Adoption of the Articles of Association
6) Payment of the capital share
7) Registration of a limited company

For further information, please contact the Employment and Economic Development Center.

Selling Factors/Techniques

Selling factors and techniques are very similar in Finland to those in the United States. Terms generally applied to international trade with industrialized countries apply to selling in Finland. When selling to the Finnish market, it is recommended that a local agent/distributor who has a sales network covering the whole of Finland be appointed. Only one local distributor is needed to cover the whole country since Finland is a small market population-wise, but distances are long and therefore a distributor with a country-wide network is most desirable. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. These products can also be sold directly to retail chains, department stores and other retail outlets. U.S. suppliers should provide the local distributor with English language product literature and export prices. Strong promotion efforts are very important to introduce new products into the Finnish market.

Advertising

Over $1.2 billion was spent on advertising in the Finnish mass media in 1998. Newspapers account for 48 percent of all media advertising, television 18 percent, periodicals 14 percent and radio 3 percent. From 1997-98, advertising on the Internet grew 120 percent. All media in Finland is open for advertising.

There are two different acts concerning marketing, the Consumer Protection Act and the Act on Unfair Business Practice. Advertising is controlled by the Consumer Ombudsman and the Marketing Court. The general rule is that advertisements may not contain claims which cannot be substantiated or which are offensive to minorities (race, sex, etc.). There are also restrictions concerning the use of children in advertising. Advertising of tobacco products and spirits is completely prohibited in Finland's mass media. However, advertising of beer, wines, and low alcohol level beverages has been allowed since 1995.

Major Newspapers:

Helsingin Sanomat
P.O. Box 975
FIN-00101 Helsinki, Finland
Tel: 358-9-1221
Fax: 358-9-605 709

Aamulehti
Pieni Roobertinkatu 11 A
FIN-00130 Helsinki, Finland
Tel: 358-9-853 9560
Fax: 358-9-853 9579

Business Magazines/Journals:

Kauppalehti (Business daily)
P.O.Box 189
FIN-00101 Helsinki, Finland
Tel: 358-9-507 81
Fax: 358-9-660 383

Taloussanomat (Business daily)
P.O. Box 1230
FIN-00101 Helsinki, Finland
Tel: 358-9-1221
Fax: 358-9-122 4070

Talouselama (Business weekly)
P.O.Box 920
FIN-00101 Helsinki, Finland
Tel: 358-9-148 801
Fax: 358-9-685 6650

Trade Promotion

There are seven fair centers in Finland with approximately 1.4 million visitors in 1998. The Finnish Fair Corporation (Helsinki Fair Center) dominates the market followed by the Jyvaskyla, Turku, Tampere and Lahti Trade Fair Centers. For further information, please contact:

The Finnish Fair Corporation
P.O. Box 21
FIN-00521 Helsinki, Finland
Tel: 358-9-150 91

Jyvaskyla Fair Ltd.
P.O. Box 127
FIN-40101 Jyvaskyla, Finland
Tel:358-14-334 0000

Fax: 358-9-142 358	Fax: 358-14-610 272
Turku Fair Center Ltd. P.O. Box 57 FIN-20201 Turku, Finland Tel: 358-2-337 111 Fax: 358-2-2401 440	Lahti Fair Ltd. P.O. Box 106 FIN-15141 Lahti, Finland Tel: 358-3-525 820 Fax: 358-3-525 8225
Tampere Trade Fairs Ltd. P.O. Box 163 FIN-33201 Tampere, Finland Tel: 358-3-2516 111 Fax: 358-3-2123 888	Hartwall Areena/Markkinointi Areena Karvaamokuja 2 FIN-00380 Helsinki, Finland Tel: 358-9-3487 0897 Fax: 358-9-3487 0899

Pricing Product

All goods and services are subject to VAT, which ranges from 8 percent on books, drugs and pharmaceuticals, 17 percent on agricultural goods to 22 percent on industrial goods. Excise taxes are levied on fuel, electricity, alcohol, beer, tobacco, candy, soft drinks and mineral water.

Imports from the EU (European Union) and EFTA (European Free Trade Association) countries enter Finland duty free if the products have been manufactured in one of these countries. However, import duties are levied on imports from countries such as the United States, Australia, Japan and Canada depending on specific product lines.

Sales Service/Customer Support

As a rule, one exclusive agent/distributor is appointed to cover the entire country. Finnish importers often represent several different product lines. Importers may serve large customers themselves while dealers work with smaller customers, often located outside the Helsinki metropolitan area. Dealers are often specialized in supplying a specific industry area. Training, usually organized and carried out by dealers, is an important aspect. Service points should cover the whole country rather than just the southern parts.

Selling to the Government

The legislation of public procurement became effective in the beginning of 1994. According to the law, all procurement has to be made available for competitive bidding. The legislation applies to purchases above the EU threshold and is binding for both central and local government bodies as well as government or municipality owned private companies in the fields of energy, transport and telecommunications.

Sources of Information - Announcements concerning purchases above the EU threshold are published in the EU supplement of the Official Journal and in the weekly Official Gazette of Finland in a special issue called "Public Procurement". Announcements under the threshold values are quite frequently published in the Official Gazette. Government tenders are also published in electric data nets (EU’s TED-data base and the Finnish TATI-data base). For more information on Government procurement, please contact:

Ministry of Trade and Industry

Aleksanterinkatu 4
FIN-00170 Helsinki
Finland
Tel: 358-9-160 3265
Fax: 358-9-160 4022
Contact: Ms. Kirsti Vilen

Protecting Your Product from IPR Infringement

The Finnish patent and trademark laws are in accordance with the TRIP agreement (Agreement of Trade Related Aspects of Intellectual Property Rights), which provides the highest possible protection on IPR infringement. Trade secrets are protected by the Law of Inappropriate Business Behavior, which enjoins various forms of corporate espionage. In 1991, Finland passed a law granting specific rights to designers of integrated circuit layouts.

Patents: Patents are granted for a 20-year, non-renewable period. American nationals have a one-year period to file a patent application in Finland to receive the benefit of an earlier U.S. filing date. Process patent protection for pharmaceuticals and product patents are currently offered in Finland.

Trademarks: Trademark registration is valid for 10 years and is renewable for like periods. The use of the trademark is not a prerequisite for its registration in Finland. However, the registration may be forfeited after five years if unused without a valid reason. Americans have six months to file an application in Finland after filing in the United States to receive the benefit of the earlier filing date.

Copyrights: See section protection of property rights.

Need for a Local Attorney

As a result of Finland’s membership in the EU, many EU directives and regulations have been incorporated into Finnish legislation. It is advisable that U.S. companies planning to operate in Finland or entering into contracts with Finnish companies contact an experienced Finnish attorney for legal advice.

In selecting a Finnish attorney, emphasis should be given to the special knowledge of the attorney in a particular field of law. Language skills and experience in working with U.S. entities should be taken into consideration. A list of Finnish attorneys can be obtained from the American Embassy, Consular Section, Itainen Puistotie 14 B, FIN-00140 Helsinki, Finland, tel: 358-9-171 931 ext. 271, fax: 358-9-652 057.

Performing Due Diligence/Checking Bona Fines of Banks/Agents/Customers

The major Finnish commercial banks service the whole country through branch networks. Commercial banks have extensive foreign networks of branch offices, subsidiaries, consortium banks and representative offices all over the world.

V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

1. Franchising	(FRA)
2. Electronic Components	(ELC)
3. Computers and Peripherals	(CPT)
4. Computer Software	(CSF)
5. Telecommunications Services and Equipment	(TES,TEL)
6. Travel and Tourism Services	(TRA)
7. Aircraft and Parts	(AIR)
8. Medical Equipment	(MED)
9. Pollution Control Equipment	(POL)

Rank of sector: 1
Name of sector: **FRANCHISING** (FRA)

Narrative: The total market for franchising in Finland was estimated at $1.9 billion in 1998. According to a survey made by the Finnish Franchise Association franchising sales increased by 15 percent in 1998. As a result there are about 150 franchise chains in Finland.

Local trade sources predict that the sales volume will increase at an annual rate of 15 percent. The increase is explained by expansion of franchising as a business concept - franchising involves lower risks for companies expanding their operations. The highest number of chains are in retailing and in services. However, the largest increase in sales volume is predicted for food and beverage franchising, which has expanded rapidly in Finland over the past few years. The fast food hamburger market is shared by three large operators, McDonald’s, Hesburger and Carrols.

McDonald’s market share is almost 50 percent(48). Hesburger (27 percent) and Carrols (19 percent) are domestic franchise chains. These restaurants have been in Finland for about 30 years. Besides the traditional hamburger (McDonald’s) and pizza (Pizza Hut)chains, there are market opportunities for U.S. fast food restaurants such as salad bars, tex-mex food and coffee bars.

There are about ten U.S. franchise chains now operating in Finland: Avis, Budget, Esso Snack & Shop, Glass-Tech, Hertz, Homecare, Novus (car windows), McDonald’s, PC-Super-Store and Pizza Hut. Many typical U.S. franchise operations are still unknown in Finland. In the coming years, the following franchise operations are expected to offer good possibilities in the Finnish market: print shops, all kinds of automotive services; tires, mufflers etc., dry cleaning, one hour photo shops and packaging stores.

The future for franchising in Finland looks promising. It is evident that franchising as a whole will increase during the coming years. This projection is based on statistics as well as recent positive economic developments.

Data Table - USD Millions	1997	1998	1999
A. Total market size	1700	1900	2200
B. Total sales by local firms	1250	1400	1550
C. Foreign sales by local firms	0	0	0
D. Sales by foreign owned firms	450	500	650
E. Sales by U.S. owned firms	400	450	550

F. Exchange rate:$1=FIM 5.3

Note: The above statistics are unofficial estimates.

Rank of sector: 2
Name of sector: **ELECTRONIC COMPONENTS** (ELC)

Narrative: Electronic components and contract manufacturing represent 34 percent of Finland’s total electronic market. There are three major external suppliers of electronic components into Finland, the United States with about 20 percent import market share, followed by Japan (18 percent) and Germany (13 percent). U.S. suppliers are strong in semi-conductors, which are viewed by Finns as the cutting edge. Japanese suppliers are strong in bulk components, where price plays an important role. Germany supplies mainly electro-mechanical components to the Finnish market.

Demand for electronic components is, to a large degree, linked to the success of the Finnish electrical and electronics industry, which continues to be one of the fastest developing industry sectors. State-of-the-art technology, on-time delivery and responsive customer service are factors, which have accounted for the competitive advantages that the United States enjoys over the Japanese. As the total market for electronic components is expected to increase at a rate of about 20 percent within the next three years, U.S. new-to-market companies have good opportunities in the Finnish market.

The major end-user of electronic components in Finland is Nokia Oy, the flagship of the Finnish electronics industry, which alone buys half of all electronic components. About 30 electrical and electronics companies, such as Fujitsu Computer Systems buy a third. The remaining 15-20 percent of the market is divided between several hundred smaller companies.

As a member of the European Union (EU), Finland is subject to EU import duties for electronic components outside the EU countries. However, the United States has negotiated an ITA agreement, which will in the future abolish import duties on certain electronic components.

***Data Table - In USD Millions**	1997	1998	1999
A. Total market size	2660	3000	3715
B. Total local production	1400	1810	2170
C. Total exports	220	400	530
D. Total imports	1480	1590	2075
E. Imports from the U.S.	300	320	415
F. Exchange used: $1=FIM 5.3			

Note: the Federation of Finnish Electrical and Electronics Industry provided 1997 and 1998 figures. 1999 statistics are unofficial estimates
*Contract manufacturing is included in the statistics.

Rank of sector: 3
Name of sector: **COMPUTERS AND PERIPHERALS (CPT)**

Finland’s population of 5.1 million people comprises a highly sophisticated market for computer hardware and software. This is illustrated by the fact that Finland has the highest number of computers per capita connected to the Internet in the world. Presently, about 40 percent of Finnish homes have computers and about 60 percent of the population have access to the Internet either at home, at work, or through a local institution, such as a library.

Finland’s total market for computers was estimated at $1,8 billion in 1998. With about a 30 percent import market share, the United States is Finland’s leading external source of computers and peripherals. There are about 4,200 local computer companies in Finland. 3,700 companies have less than five employees and the five largest companies cover about 60 percent of the industry sector’s sales volume. In 1998, 443,000 PC’s were sold in Finland, an increase of about 20 percent over the previous year. The number of business PC’s per 100 white-collar workers in Finland is 60, a figure above the European average.

Presently Compaq is the number one supplier of PC’s covering 19 percent market share followed by IBM (14 percent), MikroMikko (Fujitsu/ICL) 11 percent and Hewlett-Packard (10 percent). Competition in this sector comes mainly from the already established American suppliers in the local market. Computer hardware used in the Finnish market has changed substantially in the last few years. PC’s lead the market with 65 percent market share, followed by workstations (35 percent). Total PC sales reached FIM 3.6 billion (USD 679 million) in Finland in 1998. Local sources forecast an average annual growth rate of about 20 percent in the industry sector over the next three years.

In 1998, about 110,000 microcomputers were manufactured/assembled in Finland. FUJITSU ICL Computers Oy (owned by British ICL) dominates domestic production of microcomputers. The company manufactures MikroMikko computers in Espoo and exports about 80 percent of the production. Other companies which are represented in domestic production and/or assembly include Mikrolog Oy, POMI and Dacco Trading. Mikrolog bought the Osborne brand name from the U.S. parent in 1986. Mikrolog has an assembly plant of PC’s, mainly for business use in Karkkila, about 30 miles northwest of Helsinki.

Mobile computing (PC's + cellular phones), a presently used technology, is considered to be the future for Finland’s computer industry. Declining prices of computer peripherals has resulted in increased sales of high-end products as well as standard products. For example, sales of top end color laser printers are booming in Finland. Demand for computers and peripherals in Russia and the Baltic countries have begun to grow, providing distributors in Finland with excellent future market potential.

Data Table - USD Millions	1997	1998	1999
A. Total market size	1455	1845	1920

B. Total local production	1110	1180	1190
C. Total exports	1025	1025	1130
D. Total imports	1370	1690	1860
E. Imports from the U.S.	460	510	560
F. Exchange rate $1=FIM 5.3			

Note: The above statistics are unofficial estimates.

Rank of sector: 4
Name of sector: **COMPUTER SOFTWARE (CSF)**

Narrative: Finland's software market is estimated at about USD 590 million in 1999. The United States, with an import market share of about 90 percent, is the number one supplier of standard, non-customized application software. Competition for new-to-market computer software companies is strong and comes from previously established U.S. companies, such as Microsoft, Novell, Lotus, Borland etc.

Finland has 350 local producers of computer software, mainly custom-made business software. Finns are experts in wireless software technologies and multimedia software. There are also Finnish CAD/CAM/CAE producers who play an important role in the local software market as well as Internet and new media companies. About 120 Finnish companies export applications software mainly to the United Kingdom (25%), the United States (14%), the Baltic countries (13%) and Sweden (11%).

The trend in the Finnish computer market, as elsewhere, is toward downsizing. An increasing number of companies are converting from mainframes to smaller computers with network capabilities. For this reason, sales of software for mainframes have declined, while the use of microcomputer software has increased. The total software market is expected to increase by about 10-12 percent during the next three years. The electronic industry, in particular, is expected to increase investments in smaller, user friendly computers, thus increasing market potential for computer software.

Special applications software and specialized, high-tech software such as CAD/CAM products for PC's, information management data base products, software based on embedded systems and real time systems, vertical and horizontal applications for business, government and local government intranets and ERP (Enterprise Resource Planning) solutions have excellent market potential in Finland. Due to changes in recent years in Russia and the Baltic countries, Finland also serves as an excellent gateway to these emerging markets.

Data Table - USD Millions	1997	1998	1999
A. Total market size	452	520	594
B. Total local production	180	207	238
C. Total exports	90	103	122
D. Total imports	362	416	478
E. Imports from the U.S.	250	290	330
F. Exchange rate:$1=FIM 5.3			

Note: The above statistics are unofficial estimates

Rank of sector: 5
Name of sector: **TELECOMMUNICATIONS SERVICES AND EQUIPMENT** (TEL, TES)

Narrative: Finland's telecommunications market is one of the most developed in Europe and arguably one of the most developed anywhere in the world. In Finland, telecommunications operations have been opened up gradually to competition since 1985. The liberalization process has not been as difficult as in many other countries because a part of the telecommunications operators have always been privately owned.

The fact that Finland was among the first to open its telecommunications market has resulted in one of the lowest tariffs today. Both the volume of telephone lines and the volume of telephones are among the densest in the world. The network is one hundred percent digitalized. Finland is presently the world's largest user of mobile telephones (65 percent penetration).

Data transmission speeds are among the fastest in the world. Finland was the first country in Europe to take the ATM technology into commercial use and the first country in Europe to grant licenses for third generation mobile networks. Finland also has the highest number of computers connected to the Internet per capita in the world. The Finnish government has invested substantially in training and education, especially in the field of information technology in order to meet the needs of the country's fast growing ICT industry.

There are two key players in Finland's telecom services: the state-owned Sonera Corporation (previously Telecom Finland) and the 45 privately owned local telephone companies operating under the Finnet Group. Both Sonera Corporation and the private telecom companies have subsidiaries and sister companies, which are involved in the provision of data, mobile and advanced technology services. There are also a number of secondary companies, strongest of which is Telia Finland Oy, owned by Swedish state-owned Telia. Other network operators in Finland are Global One Communications Ltd, Telia One, and U.S. RSL COM Finland Ltd, which provide network and other services for their contracting customers.

Headquartered in Finland, Nokia is the world leader in wireless and wireline telecommunications, the world's leading mobile phone supplier as well as top supplier of fixed telecom networks and services. Nokia's 1998 sales volume was $14.8 billion. The company has manufacturing on three continents in over 10 countries, research and development centers on four continents and employs more than 47,000 people worldwide.

A major factor behind Finland's highly advanced telecommunications technology has been strong competition in Finland's liberal telecommunications market, especially between the service providers. This has had a beneficial impact on telecommunications' know-how, in terms of the variety of telecommunications services available. Due to high technical standards and the liberal telecommunications market, Finland also serves as an excellent test market for development of new services. U.S. companies wishing to enter the Baltic markets and Russia (especially St. Petersburg) should view Finland as a natural gateway and Finnish companies as experienced partners in any such effort.

Table 1: Telecommunications Services

Data Table - USD Millions	1997	1998	1999
A. Total sales	3010	3610	4330
B. Sales by local firms	2800	3360	4030
C. Exports by local firms	280	340	408
D. Sales by foreign-owned firms	490	590	708
E. Sales by U.S.-owned firms	27	34	42
F. Exchange rate:$1=FIM 5.3			

Table 2: Telecommunications Equipment

Data Table - USD Millions	1997	1998	1999
A. Total market size	2680	2880	3110
B. Total local production	6200	7100	8170
C. Total exports	3960	4750	5700
D. Total imports	440	530	640
E. Total imports from U.S.	44	53	64
F. Exchange rate:$1=FIM 5.3			

Note: The above statistics are unofficial estimates.

Rank of sector: 6
Name of sector: **TRAVEL AND TOURISM SERVICES** (TRA)

Narrative: The United States continues to be the main long-haul destination for Finns. In 1998 there were over 85,000 Finns traveling to the United States, a 3.7 percent increase from 1997. The increase in the number of Finns travelling abroad is a result of the stable Finnish economy and a growing interest in foreign travel. This has favored long-haul travel and travel to Mediterranean destinations.

New York, Florida and California continue to be the best prospects for the U.S. travel industry. First time travelers, families with children and senior citizens favor Florida, whereas younger people and experienced travelers favor the West Coast. New York, Chicago, Boston, Los Angeles and Atlanta are the most important destinations for Finnish business people.

Although Finns generally favor "sun and sand" and city destinations, an increasing number of travelers are looking for activity holidays. Golf, fishing, diving, sailing, skiing and many other activities have become popular for Finns traveling abroad.

The United States competes mainly with Southeastern Asia. Thailand, China, India, Australia, Hong Kong, and the Near East (Bahrain, United Arab Emirates) have gained in popularity, due to competitive package tours organized to these destinations.

There are no restrictions on the Finnish foreign travel. From October 1, 1991, Finland has been included in the visa waiver pilot program for visits up to 90 days in length. This has made it considerably easier for Finns to travel to the United States.

Finnair, the national air carrier, is the only airline based in and operating flights from Finland to the United States. Out of the U.S. air carriers, Delta Air Lines has a sales office in Finland, America West and Continental have a representative, Northwest Airlines is represented by KLM, American and TWA are represented through sales offices in Stockholm, Sweden.

Data Table - USD Millions	1997	1998	1999
A. Total travel	4243	4040	4105
B. Domestic travel	4537	4630	4725
C. Incoming travel*	1884	1300	1365
D. Foreign travel*	2178	1890	1985
E. Travel to the U.S.*	76	94	113
F. Exchange rate: $1=FIM 5.3			

* Source: Bank of Finland, Balance of Payments (travel).
Domestic travel and 1999 figures are unofficial estimates

Rank of sector: 7
Name of sector **AIRCRAFT AND PARTS** (AIR)

Narrative: The United States is the most important supplier of aircraft and parts in Finland with an import market share of over 80 percent. The U.S. share is based on Boeing's (McDonnell Douglas) market position in Finland both in civil and military aviation.

The civilian market for aircraft and parts is dominated by the Finnair group, the national airline. The Finnair fleet as of 1998 consisted of 57 aircraft of which 41 were McDonnell Douglas planes. The average age of Finnair's aircraft is 10.9 years. Finnair is going to replace its medium-range fleet of 37 aircraft DC-9's and MD-80's with the Airbus 320 series, as the new aircraft type for its European traffic. Twelve Airbus aircraft have been ordered and the contract also includes options of an additional 24. Delivery started in the beginning of 1999. Finnair has also bought five Boeing 757's for holiday traffic between Finland and the Mediterranean destinations.

The total market for aircraft and parts is estimated to increase annually by about 15-20 percent. The increase is explained by the 64 F/A-18 fighters contracted by the Finnish Air Force and Boeing. The value of the Hornet purchase is estimated at $3.35 billion during 1995 - 2002. Seven Hornet trainers have been delivered by Boeing (McDonnell Douglas). Fifty-seven fighters will be partly assembled in Finland by Finavitec as part of the offset program. Thirty-nine fighters have been assembled by Finavitec during 1996 – June, 1999 and the program will be completed in August, 2000.

In 1998, there were a total of 1,346 aircraft in Finland: 650 airplanes, 383 gliders, 84 helicopters and about 229 other light airplanes. Demand for small aircraft, such as air taxis, air ambulances and service planes will continue in the future.

Data Table - USD Millions	1997	1998	1999
A. Total market size	720	787	875
B. Total local production	160	170	205
C. Total exports	60	70	30
D. Total imports	620	687	700
E. Imports from the U.S.	590	632	650
F. Exchange rate:$1=FIM 5.3			

Note: The above statistics are unofficial estimates.

Rank of sector: 8
Name of sector: **MEDICAL EQUIPMENT** (MED)

Narrative: The medical sector is still recovering from severe depression that Finland experienced through the first half of the 1990's. Due to budget cuts, the operating costs of Finnish hospitals have been reduced. The major hospital procurement is mainly replacing older equipment and buying some new equipment, e.g. radiology and tele-medicine equipment.

The United States is the most important external supplier of medical equipment in Finland with an import market share of about 30 percent, followed by Germany, Sweden, United Kingdom and Japan, in respective order. High-quality and technically sophisticated medical equipment have the best market potential in Finland, especially equipment which increases efficiency and reduces occupancy rates in hospitals. Products such as patient monitoring systems, mini invasive surgery (MIS), day surgery equipment, magnetic resonance imaging (MRI) equipment, video endoscopes, digital image processing, and picture archiving have the best sales potential in Finland. Within the EU all medical trade is duty free. Import duties are collected from production coming from non-EU countries. The duty fluctuates significantly according to the specific product, ranging from 5-12 percent for medical equipment.

Local production was about $945 million in 1998, consisting mainly of dental equipment, anesthesia monitors, specialized x-ray equipment, and chemical analyzers. Local production and imports do not overlap, as they do not compete with each other. About 85 percent of local production is exported because of the small domestic market size.

Data Table - USD Millions	1997	1998	1999
A. Total market size	674	755	831
B. Total local production*	835	945	1040
C. Total exports	347	396	436
D. Total imports	186	206	227
E. Imports from the U.S.	54	56	59
F. Exchange rate:$1=FIM 5.3			

Source: The Association for Finnish Healthcare Industries and Finnish Customs. *includes In Vitro Diagnostics. 1999 figures are unofficial estimates

Rank of sector: 9
Name of sector: **POLLUTION CONTROL EQUIPMENT (POL)**

Narrative: The total market for Finland’s environmental technologies sector, including air pollution control equipment, water and waste water management, waste treatment and recycling was estimated at $520 million in 1998. With an import market share of about 30 percent, Germany is Finland’s number one supplier, followed by Sweden (12 percent) and the United States (10 percent).

Environmental technology has become a new area of high tech production in Finland. Finland has also helped its eastern neighbors solve their environmental problems by using technology transfer. In Finland, both individuals and the corporate management are highly conscious of environmental protection and preservation of the present high standard. Finnish capabilities in environmental technology are high, albeit expensive, due to high labor and manufacturing overhead costs. Finnish companies have expertise in waste water treatment and are considered one of the world leaders in this field. Another area of local expertise is oil spill control. Finns are looking for high technology and quality from U.S. suppliers interested in entering the Finnish market.

Demand for Finnish air pollution control equipment is strong due to the increasing environmental concerns among the surrounding countries (i.e. the Kola Peninsula, St. Petersburg and the Baltic countries). The pulp and paper industry represents about 30 percent of Finland's exports, and is the main end-user of air pollution control equipment. Given the U.S. reputation for providing top quality air pollution control equipment, their products are in strong demand.

Finland's ascension to the European Union in January, 1995, the 1994 Waste Act, plus amendments in 1997 and especially the Finnish National Waste Plan 2005 are expected to increase investments in Finland, which in turn will offer foreign companies increased business opportunities in this market. The new waste law is stricter in the waste management sector, which is expected to help U.S. companies since they already have a considerable share of the Finnish waste management market. The best sales prospects for U.S. companies are within recycling of household and community waste. Other best prospects include potential to supply equipment such as composting, anaerobic decomposting, sorting machines etc. as well as cooperation with Finnish companies in large projects. Another area for U.S. companies to consider is the emerging markets of the Baltic countries and Russia's working through Finland.

Data Table - USD Millions	1997	1998	1999
A. Total market size	495	520	550
B. Total local production	280	295	310
C. Total exports	180	190	200
D. Total imports	395	415	440
E. Imports from the U.S.	40	42	44
F. Exchange rate:$1=FIM 5.3			

Note: The above statistics are unofficial estimates.

Best Prospects for Agricultural Products

Finland's geographical proximity to the Baltic States and Russia allows Finland to serve as a major gateway to these regions. The economic upswing, more stable banking sector, and improving standards of living in the Baltic States, along with the development of the Russian market place, has generated increased demand for consumer goods (and tourism). Thus, Finland's access to these rapidly emerging adjacent markets is vital for firms interested in this region for trade development.

<u>High Priority</u> – Beverages: wine, micro-brewery beer; Snack foods: health snacks, dried fruits and nuts, corn chips; Convenience foods: frozen juices, TexMex items; Pet food for dogs and cats; Preserved: Canned fruits and vegetables; Frozen ready-made foods.

Medium Priority – Fresh fruits/vegetables: apples, grapes, pears, avocados, cherries, food grains: rice; Convenience foods: microwavable items like popcorn; Seafood: salmon, frozen crayfish (Swedish style), white fish roe.

Due to fluctuation in the exchange rate the following values may be somewhat below actual.

Exchange rate used in 1997: USD1 = FIM 5.1944
Exchange rate used in 1998: USD1 = FIM 5.3415

For current data on agricultural trade prospects with Finland, the reader is referred to the following Internet web site: **http://www.usemb.se/Agriculture/Index.html.** This site is maintained by the USDA office in Stockholm, which has regional responsibility for Sweden, Finland, Norway, Latvia and Estonia. Its content includes an analytical overview of agricultural marketing opportunities in the region, marketing activities of possible interest to U.S. firms, an array of exporter/importer services and links to sites containing a detailed current breakdown of individual country imports/exports of agricultural products subdivided into several product categories (bulk, intermediate, consumer-oriented, forestry and fishery).

VI: TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Trade Barriers, including Tariffs, Non-Tariff Barriers and Import Taxes

Finland's adoption of EU internal market practices in 1995 defines Finland's trade relations both inside the EU and with non-EU countries.

Finland's import trade was not greatly affected by EU membership. Changes dealt with border protection procedures related to non-EU countries. Most of these restrictions concern import of certain types of steel, in particular from the NIS, as well as import of certain articles from China. The restrictions are in the form of quotas, licensing and other control measures. The quotas are EU-wide. Access to quotas may depend on whether the importer is an established traditional supplier or a newcomer.

Finland is now covered by EU antidumping legislation, the EU's principal and most comprehensive import protection mechanism. Finland has also adopted the Generalized System of Preferences (GSP) of the EU. Furthermore, Finland applies import taxes imposed by the EU.

Finland replaced its turnover tax with a value-added tax in June 1994. While the change has had little effect on overall revenues, several areas not previously taxed or taxed at a lower rate, including many corporate and consumer services and construction are now subject to the new VAT in conformity with EU practices. The government has kept the basic VAT rate at the same level as the old turnover tax, which is 22 percent. Foodstuffs are taxed at 17 percent. Sport facilities usage, medicines, books, cinemas, passenger transport services, hotel and other accommodation, entertainment performances, sporting events, zoos, museums, and other such events or institutions are taxed at 8 percent. Other services, including health care, education, insurance, newspaper & periodical subscriptions and rentals are not subject to VAT. Agricultural and forestry products continue to be subject to different forms of taxation outside the VAT. A uniform tax rate of 28 percent on capital gains took effect in 1996, which includes dividends, rental income, insurance, savings, forestry income, and corporate profits. The sole exception was bank interest, where the tax rate was increased from 20 to 25 percent at the beginning of 1994.

In March 1997, EU Commitments required the establishment of a tax border between the autonomously governed, but territorially Finnish, Aland Islands and the rest of Finland. As a result, the trade of goods and services between the rest of Finland and Aland Islands is now treated as if it were trade with a non-EU area. The trade effect of this treatment is minimal since the Aland Islands are part of EFTA tariff area. However, this situation will have new significance if duty-free sales to travelers between EU destinations are eliminated in 1999.

Finland has also introduced EU practices on imports of agricultural products. Some agricultural goods are subject to the standard import licensing system, EU-wide quotas, import taxes or other provisions. Finland, along with other new members, is permitted to take measures, accepted by the EU, to shelter its agriculture or foodstuff sector during a limited transition period. In a temporary exception to general EU procedure, Finland may impose higher tariffs than the EU level on the following items: footwear, rubber, plastic, metals, raw hides & skins and some electric machinery. The transition period ended in 1998. As of July 1, 1996 higher tariffs on textiles, clothing and headgear were abolished.

In mid-1996 the Finnish government's inter-ministerial licensing authority began selectively to oppose within the EU American company applications for commercialization of genetically modified organisms (GMOs) such as insect resistant corn. Efforts to craft a compromise that would accommodate U.S. commerce are underway, and initial results are encouraging.

Customs Regulations and Excise Duties

Customs duties are levied on goods imported to Finland. As a member of the EU, Finland is part of the EU wide Customs Territory and applies EU Customs legislation.

Excise duties are levied on a number of commodities: alcoholic beverages, tobacco products, mineral oils (all at EU harmonized rates), and waste, electric energy, certain energy sources, sweets and soft drinks (at national rates).

Tariff Rates

Duties and other import taxes are levied on the customs value of the goods at the point of importation. The customs value is based on the transaction value of the goods imported. In practice, the C.I.F. value is commonly used as the customs value. To assess customs value, the place of importation must be indicated. In the case of sea and air cargo, the place of importation is the unloading location. In surface transportation, it is the Customs Office at the frontier.

The customs value is determined according to the GATT Valuation Agreement and the Community Customs Code (Council regulation 2913/92) and the Regulation Laying down Provisions for Implementation of the Customs Code (Commission regulation 2454/93).

Import License Requirements

Finland follows import-licensing procedures of the EU. Licenses can be applied for from the National Board of Customs. Certain agricultural products are subject to import duties and/or fees imposed in accordance with EU rules and regulations. Among the products subject to these duties and fees are cereals, flour, certain fats and oils, fishery products, butter, cheese, eggs, poultry, meat, cattle and hogs. The transitional period that allowed Finland maintain its stricter (than EU) import regulations on certain agricultural products (primarily meat and livestock) expired in 1998.

Temporary Goods Entry Requirements

Temporary exemption from duty can be granted, for instance, to the following:

- Goods intended for public displays at exhibitions and fairs
- Commercial samples
- Professional tools and equipment

If the goods are put to unauthorized use or are not exported within the prescribed time (maximum one year) they must go through normal customs clearance and become liable for relevant duties and taxes.

In Finland, the ATA-Carnet, the international customs documentation for temporary duty-free admission is issued by the Chamber of Commerce. The ATA-Carnets are frequently used for temporary imports e.g. samples, exhibition materials, and professional equipment (laptop computers, software), and are valid for one year.

Special Import/Export Requirements

Imports must be cleared in writing, using forms endorsed by the National Board of Customs in Finland. The customs declaration form must be filled out by the holder of the goods or by an authorized agent. A valuation declaration for imports must be attached to the customs declaration for imports exceeding the value of FIM 30,000 (about $5,300). A copy of the commercial invoice must be attached to the customs declaration, and must include the following information:

- Exporter’s/buyer’s name and address
- Date of the invoice
- Identifying marks, the numbers, quantities, types and the gross weight of packages, including unit of measure
- Description and quantity of the goods
- Value of each item
- Terms of delivery and payment

Some items can only be imported to Finland under certain conditions regulated by the European Union. Sanitary certificates are required for goods that may carry contagious animal or plant diseases. All products imported for sale without further processing should clearly show their country of origin.

Labeling Requirements

Labeling and marking requirements in Finland are based on the Act on Product Safety, which was enacted in accordance with the EU Directive on general product safety. The following information should be included in retail packaging, or otherwise marked on the product (a sticker, label, etc.):

- Name of the product (indicating clearly the contents of the package)
- Name of the manufacturer or the name of the company that had the product manufactured
- Amount of contents (weight or volume of the contents to be specified, measures in metric system).

If warranted by safety considerations or economic security of the consumer, the following information should also be included on the retail packaging or otherwise clearly identified on the product: contents of the product, care instructions, operating instructions, and a warning of possible danger related to the use or disposal of the product.

Finland has exact labeling requirements for foods. A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weight or volume, ingredients in descending order of weight, last recommended date of sale, and storage instructions if perishable or intended for infants. Mandatory information described above must be provided in Finnish and Swedish.

Prohibited Imports

Finnish law prohibits the import of the following products:

- PCB and PCT chemicals used in transformers and condensers causing problem wastes
- whale meat

Special Import Provisions

The EU customs union system is applied in Finland. Special import provisions govern the import of certain articles that might damage health, welfare or country's economy, or result in the spread of animal and plant diseases. The provisions are either EU-wide or set according to national standards.

Subject to restrictions are, among others, the following:
- foodstuffs
- fodder and fertilizers
- alcoholic beverages and other products containing alcohol
- medicines
- narcotics and dangerous drugs
- some chemicals
- nuclear and radioactive substances
- explosives
- blade knives firearms and ammunition

- obscene publications
- pressure vessels

Export Controls

Finland is an active participant in all export control regimes, notably the Nuclear Suppliers Group (NSG), the NPT Exporters Committee (Zangger Committee), the Missile Technology Control Regime (MTCR), the Australia Group (AG) and the Wassenaar Arrangement (WA). Finland chaired the Zangger Committee in 1989-93 and the NSG in 1995-96.

A basic principle of Finland's export control policy is that there is no published or unpublished "black list" of undesired destinations except those subject to sanctions by the UN or the EU. All license applications are considered on a case-by-case basis, taking into account the information exchanged within the relevant export control regime.

- Export Control Authorities -

Ministry for Foreign Affairs is in charge of Finnish non-proliferation policy as well as the security and trade policy aspects of export controls.

Ministry of Trade and Industry is in charge of the national implementation of the European Union's system of export controls on dual-use goods. The Trade Department of the MTI is the authority granting export licenses for exports of dual-use goods. The MTI's Energy Department grants licenses for exports of nuclear materials, facilities and equipment.

Ministry of Defense
The Finnish Ministry of Defense is in charge of export licenses for exports of defense material (i.e. military goods and technologies).

Ministry of the Interior
The Ministry of the Interior is responsible for export and import licenses for non-military firearms and ammunition as well as for national implementation of the relevant EU directives. For more information on export controls, please contact:

Ministry of Trade and Industry
Aleksanterinkatu 4
FIN-00170 Helsinki
Finland
Tel: 358-9-160 4691
Fax: 358-9-160 4622
Contact: Mr. Eero Aho
Senior Advisor

Standards (e.g. ISO 9000 usage)

Finland uses the metric system. Products for sale in Finland should be adapted to the metric system whenever possible. It is also highly recommended that U.S. products imported into Finland meet international or European standards. Examples of products where conformity to directives is mandatory are electric equipment, machines, toys, pressure vessels and personal protective equipment. In these cases CE-marking acquired in any EU/EEA country is also valid in Finland. There are several Notified Bodies in Finland participating in the CE-marking procedure.

The central body for standardization in Finland is the Finnish Standards Association (SFS). It is a member of the ISO (International Organization for Standardization) and CEN (Comite Europeen de Normalisation). All European and some international standards are compatible with national SFS standards. There are about 10,000 SFS standards in Finland, of which 70 percent are identical to European or international standards.

SFS-Certification, owned by the Finnish Standards Association is a major certification body in Finland. Its certification program covers both product and system certification. The SFS Mark is used to indicate products or services that meet the requirements of SFS standards. SFS-Certification certifies quality and environmental systems of companies, on the basis of standards ISO 9000 or ISO 14000. Certification can be granted to a company if the quality system meets the requirements of SFS-EN ISO 9001, SFS-EN ISO 9002 or SFS-EN ISO 9003. The environmental management system is assessed and certification granted on the basis of SFS-EN ISO 14001. SFS-Certification is in charge of the Nordic Environmental Labeling. It serves also as a competent body for the European ECO-labeling and is an accredited verifier for European EMAS-regulation.

Free Trade Zones / Warehouses

Finland has two free ports, Helsinki and Hanko. Hanko is located at the southernmost tip of the country. The port has a year-round railway-ferry link with Turku. In addition, there are 21 storage areas in other locations in the country. The duty free storage areas, which are usually run by municipal corporations, are available to domestic and foreign-owned companies. Warehousing, assembly and manufacturing are allowed in these areas, with permission from the Board of Customs.

Membership in Free Trade Arrangements

Finland joined the EU on January 1, 1995. The customs union membership means that Finland complies with trade agreements that the EU has made with third countries. Finland is also a member of the European Free Trade Association and the European Economic Area.

VII: INVESTMENT CLIMATE

Openness to Foreign Investment

The Finnish Government maintains a favorable attitude toward direct foreign investment. In 1993, laws restricting foreign ownership were abolished (by Decree no. 1612/92) to confirm the already commonly accepted liberal treatment of foreign investments in Finland. Because of this liberalization, Finland’s EU entry, the opening of ex-Soviet markets -creating opportunities for Finland to act as a gateway - and the economic recovery, foreign investments in Finland have accelerated in recent years.

There are some requirements that do not restrict foreign ownership but are necessary on legal grounds. In certain areas involving specific safety or health hazards or financial risks, specific conditions are laid down for carrying on trade. These regulated forms of trade are governed by section 3 of the Trade Act as well as by specific legislation. A non-European Economic Area resident (person or company) operating in Finland must refer to the authorities to obtain a license or a notification when starting a business in the "regulated" forms of trade, including: banking and insurance, nuclear energy related activities, mining, manufacturing and sale of medicinal substances, dangerous chemicals and explosives, private security services, travel agencies, transportation, fisheries, restaurant and catering services, and real estate brokerage. Supply of mandatory labor pension insurance and workers' compensation is possible only through a company established in Finland. This provision is designed to ensure compliance with social security legislation.

The Aland Islands are an exception to common Finnish practice. Based on international agreements dating from 1921, property ownership and the right to conduct business is limited to only those individuals with particular right of domicile in the Aland Islands.

The "Invest in Finland" Bureau operates within the government-sponsored Finpro (formerly Finnish Foreign Trade Association). Its purpose is to provide potential investors with detailed information on investing in Finland.

Right to Private Ownership and Establishment

Private ownership and entrepreneurship are well respected in Finland. In most fields of business activity, participation by foreign companies or individuals is unrestricted. As the government pursues privatization of state-owned companies, both private and foreign participation is welcome except in some enterprises operating in sectors related to national security.

Competitive equality is the official standard applied to private enterprises in competition with public enterprises. Private companies do not face discrimination. With the end of the Restriction Act in January 1993, Finland removed most restrictions on foreign ownership of property in Finland. Only minor restrictions remain, such as requirements to obtain permission of the local government in order to purchase a vacation home in Finland. But even restrictions such as this will be abolished by January 2000, bringing Finland fully in line with EU norms.

Protection of Property Rights

The Finnish legal system protects property rights, including intellectual property, and Finland adheres to numerous international agreements concerning intellectual property. Finland has joined the most important copyright agreements. Patent rights are consistent with the international standards. In 1996, Finland joined the European Patent Convention (EPC). Finland is a member of WIPO, and participates primarily through its membership in the EU. The idea of protection of intellectual property is well developed.

Information on copying and copyright infringement is provided by several copyright holder interest organizations such as the Copyright Information and Anti-Piracy Center. The Business Software Alliance (BSA), a worldwide software anti-piracy organization, began operations in Finland in January 1994. According to a recent survey, the rate of software piracy in Finland (32% in 1999) is one of the lowest in Europe.

The Finnish Copyright Act, which traditionally also grants protection to authors, performing artists, record producers, broadcasting organizations and catalog producers, has been adjusted to comply with EU directives. As part of this harmonization, the period of copyright protection was extended from 50 years to 70 years. Protection for data base producers (currently a part of catalog producer rights) has been defined consistent with EU practice. National transition period procedures are defined in Parliament. The Finnish Copyright Act provides for sanctions ranging from fines to imprisonment for up to two years. Search and seizure are authorized in the case of criminal piracy, as is the forfeiture of financial gains. Computer software has been covered by the Copyright Act since 1991.

Adequacy of Laws and Regulation Governing Commercial Transactions

Finland’s laws governing commercial transactions and contracts are harmonized with EU norms.

Foreign Trade Zones/Free Ports – See section trade regulations, customs, and standards.

Major Taxation Issues Affecting U.S. Business

The tax rate of limited companies has been lowered significantly. In 1985 the total tax rate was 59 percent (including municipal tax). In 1993 Finland adopted the so-called dual income tax system aimed at fostering savings and investment and improving the efficiency of their allocation. This was done by making the tax treatment of various sources of financing as uniform as possible. Capital income was taxed at a flat state tax rate of 35 percent. The capital income tax rate was set at the same level as the corporate tax. The nominal tax rate was reduced from 36 to 25 percent. The tax rate of limited companies was raised in 1999 from 28 to 29 percent, one of the lowest among the Western industrial countries. With effective tax rates from 10 to 28 percent, corporate taxation in Finland is below international standards.

A company is regarded as resident in Finland if it is registered in Finland or is incorporated according to Finnish law. Resident corporate activities are taxed for state income taxes only (they are not subject to municipal income taxes). The taxation of company profits and dividends is delineated in the Act on Company Imputation Credit and the Act on Business Taxation.

Depreciation of fixed assets is accomplished using the declining balance method. The asset base for calculating depreciation is the net book value of fixed assets plus acquisition value of assets coming into use less any sales proceeds, insurance compensations, etc. received during the tax year. The maximum annual depreciation is 25 percent of this base. Acquisition costs for inventory on hand at the end of the tax year is valued on the FIFO basis.

Performance Requirements/Incentives

There are no performance requirements or commitments imposed on foreign investment in Finland. However, to do business in Finland, some residency requirements must be met to ensure that persons liable for the company's acts can be brought to courts if necessary.

At least half of the founders (natural or legal persons) of a company to be established in Finland must reside within the EEA. Otherwise, a special permit issued by the Ministry of Trade and Industry is needed. The residence requirement can, in most cases, be fulfilled also by appointing a legal representative with residence in Finland to be in charge of the business.

The extensively revised Companies Act came into force in September 1997. In line with common Western European practices, the law divides limited liability companies into public (Oyj) and private limited (Oy) companies. New financing instruments, such as capital loan and preference shares were made available to companies.

All companies registered in Finland have access to government assistance under special development programs. Foreign-owned companies are eligible for government incentives on an equal footing with Finnish-owned companies. Assistance and subsidies are granted by the Ministry of Trade and Industry (MTI) or other ministries depending on the field of business activity, the Ministry of Trade and Industry sponsored Regional Development Fund (KERA) and Technology Development Center (TEKES), as well as the Parliament-managed venture capital fund, the Finnish National Fund for Research and Development (SITRA). Companies operating in Finland have access to EU structural funds through national programs. EU funding may cover half of total costs of a program provided that the other half comes from national private or/and public sources.

Indirect and direct subsidies are provided in the form of tax benefits, loans, guarantees, and cash grants, investment in equity, as well as in supply of expertise and employee training. Subsidies may be given for manufacturing, tourism and business services. MTI provides subsidies for investments in the form of regional investment aid, aid for small businesses or development aid for small and medium size enterprises (SMEs) and aid for improvement of operational environment of undertakings. Start-up and development costs and investments in fixed assets and operating capital are financed by Kera Ltd. Firms established in development regions may receive subsidies for the transportation costs of products. MTI provides grants to promote internationalization. Aid for export promotion projects to be undertaken in EU/EEA territory is available only to SMEs as defined by EU/EEA state aid regulations. MTI grants energy subsidies to companies and organizations for investments promoting energy conservation and the use of domestic energy sources. To promote venture capital investments in Finnish SMEs the Finnish Guarantee Board (FGB) grants venture capital guarantees.

Transparency of the Regulatory System

The Trade Act, as well as specific legislation referred to in it, provides more detailed information on trade practices in Finland. Section five of the Trade Act names “regulated forms of trade” in which a non-EEA resident needs permission from the Ministry of Trade and Industry. Also, according to the Trade Act, everyone launching a business in Finland is obliged to submit a notice to the Trade Register, which is maintained by the National Board of Patents and Registration.

The Securities Market Act contains regulations on corporate disclosure procedures and requirements, responsibility for flagging share ownership, insider regulations and offenses, the issuing and marketing of securities, and trading. The law defines and takes into account new instruments which have become common on financial markets, such as securities lending and repurchase agreements. Finnish legislation recognizes the same internationally common financial market contractual arrangements as legislation elsewhere in EU. Regulations concerning clearing of securities trades have been incorporated in the law since 1998. Clearing has become subject to licensing, and is supervised by the Financial Supervision Authority, which oversees the financial markets. The law defines the requirements of clearing parties and their mutual responsibilities. Clearing institutions are now subject to a minimum capital requirement of FIM 30 (USD 5.7) million. The capital of a clearing member must be at least FIM 10 (USD 1.9) million.

Finnish tax, labor, health and safety, and related laws and policies are largely neutral towards the efficient mobilization and allocation of investment. Finnish legislation does not normally influence regional distribution of investments except when specifically designed to do so, such as through regional incentive programs.

Corruption

Corruption in Finland is covered by the Criminal Code (R1 101/19.12.89). The Finnish Criminal Code provides for sanctions ranging from fines to imprisonment for up to four years, depending on the seriousness of the crime. Both giving and accepting a bribe is considered a criminal act under the Criminal Code. Money, jewelry, household and other equipment, special or low interest loans, trips etc. can be defined as bribes. Honorary titles and recommendations can be considered as bribes. A public servant, charged with accepting or giving a bribe, can be discharged if it is evident that he is unsuitable for his position. Companies in Finland may not deduct bribes paid abroad as export promotion expenses. Only a few persons are convicted of bribery each year in Finland. According to statistics, Finland prosecuted only 25 bribery cases in court between 1985 and 1992. In 1998 Transparency International organization (TI), an international organization combating corruption, ranked Finland second on their list of least corrupt countries in the world.

Labor

The Finnish labor force is highly skilled and well-educated. In 1998 6.5 percent of total employment were employed in the primary sector, 27.3 percent in the secondary sector and 65.8 percent in the tertiary sector. Women make up 47 percent of the 2.2 million member work force. About 85 percent of the work force are organized.

Finland has suffered from high unemployment through the 1990s; unemployment during the recession peaked in early 1994 at 20 percent. Unemployed are granted a compensation which, if linked to earnings, as has been the case for about 60 percent of unemployed, guarantees moderate incomes for a period up to 500 working days. Despite high unemployment levels, there is a shortage of skilled labor in some specialty sectors like telecommunications.

Although Finnish labor is relatively less expensive than during the late 1980s, labor costs are still high. Labor costs have risen in Finland faster in the post-recession years of 1993 - 1995 than in competitor countries. In 1999 labor costs, i.e. the index of wages, salaries and employers' social security contributions divided by the volume index of production, fell by 0.7 percent. Labor costs per unit of output are expected to drop by 0.7 percent in 1999.

High costs have led much of Finnish industry to use laborsaving high technology whenever possible. High unemployment has made trade unions somewhat more open to discuss increased labor flexibility. Finland adheres to most ILO conventions; enforcement of worker rights is effective.

Efficiency of Capital Markets and Portfolio Investment

The continued strong performance of the Finnish economy and the strong financial results of Finnish companies have accelerated foreign investors' interest in shares of Finnish companies. At the end 1997 foreign investors held a total of FIM 172(USD 33.7) billion worth of Finnish shares, i.e. 44 percent of the total market value of shares. When the securities markets were freed of exchange control at the start of 1991, foreigners were holding only FIM 5 (USD 1.2) billion worth of Finnish shares.

In recent years, the market value of shares held by foreigners has been affected considerably more by rises in share prices than by net sales of shares abroad. In 1996 and 1997, increases in share prices raised the market value of Finnish shares held by foreign investors by FIM 79 (USD 15.4) billion, whereas net sales of shares abroad totaled FIM 30 (USD 5.8) billion. Finnish investors have also shown increased interest in foreign shares and bonds during the last couple of years. Insurance companies in particular have begun to diversify their portfolios by acquiring foreign securities. The global up-trend in share prices of recent years has also boosted the market value of Finnish investors' holdings of foreign shares. However, the rise in foreign share prices has not offset the impact of higher prices of Finnish shares on Finland's international investment position, since Finnish investors' holdings of foreign shares are still relatively modest. At end 1997 Finnish investors held foreign shares totaling FIM 18 (USD 3.5) billion and foreign bonds totaling FIM 42 (USD 8.2) billion.

At the end of 1997 the market value of net share investment (i.e. nonresidents' investments in Finnish shares) amounted to FIM 154 (USD 30.2) billion. Changes in share prices are nowadays clearly reflected in Finland's net international investment position, since share investments is the largest item therein.

Conversion and Transfer Policies

Finland does not apply any exchange controls. There are no restrictions on transferring investment capital or profits abroad in freely convertible currencies at a legal market rate. There is no limit on dividend distributions, as long as they correspond to a company's official earnings records. Foreign investors are not required to pay tax on capital gains or investment income derived from Finland. The stamp duty on transactions conducted on the Stock Exchange and on the OTC market has been abolished.

The Bank of Finland compiles the country's balance of payments data in accordance with International Monetary Fund (IMF) standards. To this end, the main details of all single payment items exceeding FIM 50,000 ($ 11,630) are to be submitted on a form either to the Finnish bank effecting the payment or directly to the Bank of Finland.

Expropriation and Compensation

Private property rights are well protected in Finland. There have been no cases of expropriation or nationalization since the Second World War.

Dispute Settlement

In 1969, Finland became a member of the International Center for the Settlement of Investment Disputes (ICSID). There is no record of any significant investment dispute in the last three decades.

Political Violence

There have been no instances of political violence since the struggle for independence in 1918.

Bilateral Investment Agreements

Finland has concluded bilateral investment agreements with the following countries: Albania, Argentina, Belarus, Bulgaria, Chile, China, the Czech Republic, Egypt, Estonia, Hungary, Indonesia, Kazakhstan, Kuwait, Latvia, Lithuania, Malaysia, Oman, Peru, Philippines, Poland, Republic of Korea, Republic of Moldova, Romania, Russia, Slovakia, Sri Lanka, Thailand, Turkey, Ukraine, United Arab Emirates, Uzbekistan, and Vietnam.

OPIC and Other Investment Insurance Programs

In January 1996, OPIC and Finnish Guarantee Board (FGB) signed an agreement to encourage joint U.S. - Finnish private investments in Russia and the Baltic States. Under the agreement, OPIC and FGB will work together to enhance the development of joint ventures by promoting private investment, encouraging cooperative efforts in specific target sectors, and working jointly with appropriate authorities in the host country to promote foreign investment. OPIC is U.S. Government agency that assists U.S. investors with project financing, political risk insurance, and privately managed equity investment funds in developing markets and emerging economies. FGB is a Finnish government-operated export credit guarantee agency.

The 1996 agreement was preceded, in 1992, by a Principles of Cooperation Agreement between OPIC and the Finnish Fund for Industrial Cooperation (Finnfund). The two organizations agreed to share information concerning opportunities for private investment, exchange knowledge of techniques for the encouragement and sustenance of investment, including approaches to risk mitigation and management, and encourage cooperative enterprises among their nationals to finance private investment in developing economies. The former Soviet Union and Eastern Europe are particular points of emphasis. Finland has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1988.

Capital Outflow Policy

No policies exist that govern the export of capital and outward direct investment. Holders of capital, Finnish and foreign, can move funds at will. Finnfund, the Finnish counterpart of OPIC, provides insurance and financing for investment in developing countries and the ex-Soviet Union regions.

Major Foreign Investors

The six largest foreign companies in Finland in terms of turnover (1997):

- ABB Stromberg, FIM 7.3 billion (USD 1.4 billion)
Country of origin: Sweden/Switzerland
Sector of operation: Electronics

- Tamrock, FIM 5.1 billion (USD 0.98 billion)
Country of origin: Sweden
Sector of operation: metal

- Kvaerner Masa-Yards, FIM 5.0 billion (USD 0.96 billion)
Country of origin: Norway
Sector of operation: Shipbuilding

- Teboil, FIM 4.27 billion (USD 0.82 billion)
Country of origin: Russia
Sector of operation: Oil trade

- Starckjohann, FIM 3.6 billion (USD 0.69 billion)
Country of origin: Sweden/Finland
Sector of operation: wholesale

- Shell, FIM 2.93 billion (USD 0.56 billion)
Country of origin: Netherlands
Sector of operation: Oil trade

There are over a hundred U.S. subsidiaries in Finland. Hewlett-Packard and OMG Kokkola Chemicals were the largest U.S. companies in terms of turnover in 1998 (Hewlett-Packard: FIM 1.68 billion, or $ 320 million, and OMG Kokkola Chemicals: FIM 1.64 billion, or $ 313 million).

Host Country Contact Information for Investment Related Inquiries

Invest in Finland Bureau
Aleksanterinkatu 17

FIN-00100 Helsinki
Finland
Telephone: +358 9 696 9125
Fax: +358 9 6969 2530

Bank of Finland
Statistics Desk
PO Box 160
FIN-00101 Helsinki
Finland
Telephone: +358 9 183 2090
Fax: +358 9 183 2556

VIII: TRADE AND PROJECT FINANCING

The Finnish Banking System

In the last few years, the Finnish banking system has undergone rapid change. The initial impetus for this process was the step-by-step deregulation of financial markets and capital movements in the 1980s as part of the overall financial integration in Europe. Then the recession in the early 1990s and a severe banking and financial sector crisis, aggravated by bad lending practices in the late 1980s, touched off a consolidation of excess banking capacity. Tighter competition ensued from Finland's EU entry, accelerating cost cutting in the sector. Financial consolidation has been accomplished by reducing personnel, closing branch offices and introducing modern banking technology.

The Finnish banking system is dominated by three major groups of deposit banks: MeritaNordbanken, the result of the merger between Merita and Swedish Nordbanken, as well as Okobank (the Cooperative Bank Group) and the 100% government-owned Leonia (former Postipankki) with a total of 1242 offices. There are two big commercial banks with national branch networks and five smaller ones. The commercial banks have a total of 10 foreign branches, subsidiaries and associate banks and 16 representative offices abroad. There are 40 savings banks and 294 cooperative banks with their own extensive branch networks. In addition to domestic banks, six foreign banks have branches in Finland: Banque Indosuez Helsinki Branch, Citibank International, Skandinaviska Enskilda Banken, Handelsbanken, Unibank, Hambros Bank and Den Danske Banken. Nine foreign banks have representative offices in Finland. The commercial banks are limited companies.

Foreign Exchange Controls Affecting Trade

All Finnish foreign exchange controls have been abolished.

General Financing Availability

The Finnish financial market is a typically European environment where banks and financing institutions have the dominant role, although insurance institutions play a major role in credit supply. Insurance companies, through their management of compulsory insurance schemes of the public social security system, lend a substantial part of the money back to the companies that pay the compulsory premiums. Financing is also available through the stock exchange and the government's financing systems. There are only a few risk venture agencies in Finland.

How to Finance Exports/Methods of Payment

Financing and guarantees for exports are provided for by government-owned companies or agencies. Depending on the nature of the goods exported and on the risks connected to trading partners, a portion of the export costs must be provided by the company in question. Finland prefers that, in subsidized export financing, (where Finland adheres to OECD principles), international arrangements be made with a minimum of government involvement. In addition to government activities, commercial banks provide financing, with guarantees when possible, for exports. The banks advise their customers on bank loans as well as on loans granted by other credit institutions.

Types of Available Export Financing and Insurance

Financing and guarantees for exports are provided for by the government-owned Leonia Corporate Bank and Finnvera. Major Finnish government and other programs are detailed below.

Leonia Corporate Bank: In October 1997, the Finnish government decided to combine two state owned Financial institutions – Postipankki Ltd and Finnish Export Credit – under a single holding company called Leonia Group. In the new group Finnish Export Credit became Leonia Corporate Bank (LCB) and sells banking services to large Finnish companies and their foreign investors. LCB is a specialist financial institution providing long-term finance. The company finances exports, industrial and infrastructure investments and other long-term corporate funding requirements. Apart from exports from Finland, the company finances domestic and overseas investments, focusing mainly on the forest and engineering industries, energy production and telecommunications sector. LCB also promotes Finnish exporting with officially supported credits, credits granted on OECD consensus terms and under the OECD understanding on export credits for ships, and concessional (mixed) credits for developing countries. LCB operates on commercial terms, is founded on good profitability and has a strong capital structure, sophisticated risk management and a first-class credit rating. It is 100 percent owned by the Finnish government.

Finnfund - The Finnish Fund for Industrial Cooperation: Similar to the U.S. government-sponsored OPIC, Finnfund promotes investments in developing countries. Finnfund acts as an agent in Finland for EU programs for the financing of investment in emerging continents. It has recently become very active in the former Soviet Union, particularly Russia and the Baltic countries. Finnfund provides equity capital as well as long term investment loans and also participates in guarantee arrangements. In addition to financing the corporation offers a broad range of fund management and advisory services. Finnfund is owned by the State of Finland, business and industry, and Leonia Corporate Bank.

NIB - Nordic Investment Bank: NIB is a multilateral financial institution owned by the five Nordic countries. Its head office is located in Helsinki. NIB extends loans and provides guarantees on normal banking terms for export and investment projects in line with Nordic interests. Loans and guarantees are given to investments that assure energy supply, improve infrastructure or support research and development. The core of NIB’s international lending consists of project investment loans, which are granted to projects with Nordic participation, usually with a government guarantee. For the last three years, NIB has granted loans to private sector infrastructure projects outside the Nordic region, co-financed with other multilateral financial institutions. It also grants long-term collateralized loans.

Finnvera: Finnvera is a specialized financing company promoting Finnish exports by offering export credit guarantees and supporting domestic operations of small and medium sized companies by offering risk financing and guarantees. Owned entirely by the Finnish state, Finnvera was formed by merging the activities of Kera Corporation and the Finnish Guarantee Board (FGB) on January 1, 1999. Finnvera's domestic development and financing solutions are particularly geared towards small and medium- sized companies, and thus Finnvera also helps to promote the government's regional policy objectives. Finnvera is the official Finnish export credit agency (ECA) providing export guarantees and insurance. Finnvera's export credit guarantee and insurance commitments are fully guaranteed by the state of Finland.

SITRA and TEKES: SITRA (the Finnish National Fund for Research and Development) and TEKES (the Technology Development Center) are public financing institutions with the purpose of strengthening the role of research in economic life and promoting new products with the aim of introducing internationally competitive high-technology products and production methods. SITRA makes equity-related investments in high-tech companies during their start up and growth stages and finances management buy-outs, spin-offs from large and medium-sized companies (corporate venturing) and the corporation of these new businesses. TEKES stimulates and coordinates research and development projects between Finnish companies, universities and research institutes and their foreign counterparts. Activities should diversify production structures, increase production and exports, and create a foundation for employment and well being.

Ministry of Trade and Industry: The ministry and its regional Business Service Offices offer subsidies for investment in the form of regional investment aid, aid for small businesses or development aid for small and medium size enterprises (SMEs). Special investment and start-up aid is available for small companies in the whole country, especially in rural areas and structural adjustment areas. This subsidy can be up to 45 percent of the investment in development areas and up to 15 percent elsewhere in the country. SMEs can obtain special development aid for improving their competitiveness in the long run or operations increasing internationalization. The ceiling of aid for product development projects is 35 percent which, however, can be exceeded by 5 percentage points inside the development area. The ceiling of aid for using experts is 50 percent, which is available throughout the country.

Project Financing Available

Leonia Corporate Bank and Finnfund provide financing for overseas projects. Participation of third country firms in projects is possible. The Nordic Investment Bank grants investment loans for Nordic projects, and also finances projects in third countries.

Banks with Correspondent U.S. Banking Arrangements

All principal Finnish banks have extensive correspondent relationships with U.S. banks, maintaining relationships with banks in every state as well as with all of the larger financial center banks. Further information on correspondent relationships can be obtained from the Finnish Bankers' Association, P.O. Box 1009, FIN-00101 Helsinki; tel: 358-9-4056 120, fax: 358-9-40561-291.

IX: BUSINESS TRAVEL

Business Customs

Finland is a modern, commercially mature country that enjoys close relations with its Nordic neighbors. Social and business protocol is similar to that in the United States and requires no special mentions of taboos. It is worth noting that relationships are important within the social and business world as Finns prefer to deal with people they know and trust.

Travel Advisory and Visas

With the exception of Nordic (Sweden, Norway, Denmark, Iceland) citizens, citizens of all EU countries (except Greece), and citizens of Switzerland, San Marino and Liechtenstein, foreigners entering Finland must have a valid passport. A tourist or business visa is not required for stays of up to three months (Note: the 90-day period begins when entering any of the Nordic countries. Also, during any 6-month period, the maximum total time a foreigner can stay in the Nordic area is 90 days.) If a foreigner stays less than 90 days, he may return to the Nordic area for only the balance of the 90-day period unless he has been out of the Nordic area for more than 6 months. For non-EU citizens a visa is needed for stays exceeding 90 days.

To work in Finland, a foreigner needs a work permit. Visas and work permits must be obtained from a Finnish consulate in the applicant's home country before arriving in Finland. EU citizens outside the Nordic countries need to apply for ETA-card from the local police for stays exceeding 90 days. ETA-card is a combined work and residence permit.

Holidays

The national holidays in 2000 are: New Year’s Day (January 1); Epiphany (January 6); Good Friday (April 21); Easter (April 23-24); May Day (May 1); Ascension Day (June 1); Mid-Summer (June 24); All Saints’ Day (November 4); Independence Day (December 6); Christmas (December 25-26).

Work Week

The average Finnish work week is 40 hours per week, with annual leave of 25 days, 12.5 free days, and 9 paid holidays. Part-time employment averages to 17.8 hours per week.

Business Infrastructure

Transportation and communications - see section Infrastructure

Language

The two official languages in Finland are Finnish and Swedish. About 93% of the population speak Finnish and 6% speak Swedish. Both languages are compulsory at school. English is widely spoken in Finland, especially among younger people and in major cities.

Education

Children attend comprehensive schools for nine years, beginning at the age of seven. The municipalities pay teachers' salaries, books, health care, and school meals. After completing comprehensive school, students may attend high school for three years or receive an occupational education. High school prepares students for university studies. Tuition at universities is minimal.

Helsinki has international, English, German, Russian, French and Jewish schools in which classes are taught partly in foreign languages and partly in Finnish. The International, English, German and Jewish schools are private and charge tuition. University level education is mainly in Finnish, with the exception of English language B.B.A and M.B.A programs in certain universities and B.B.A. programs in certain polytechnics.

Medical Services

Medical facilities are widely available. The public hospital system will not honor foreign credit cards and/or U.S. insurance coverage. However, private hospitals and clinics that accept major credit cards are widely available. Travelers have found that, in some cases, a letter from their carrier describing supplemental medical insurance with specific overseas coverage has proved useful.

A foreigner is usually covered by the Finnish social security after moving to Finland, with health care as one of the benefits. Services are provided within each municipality. The quality of public health care is equivalent to care given by private doctors. In addition, occupational health care is subsidized by the employers.

Housing

Most people in Finland own their own housing. The cost to rent an apartment varies depending on the size, age, condition and location. Rents are generally quite high, especially within the Helsinki area, and most places come unfurnished.

Food

Despite prices converging with other EU levels, Finland's price structure regarding food and household needs is the lowest of the Nordic countries and only slightly above the OECD average. Finnish food is consistent to produce that is in season, which provides an array of berries, mushrooms, seafood etc. Potatoes are a main staple and accompany most evening dishes.

Temporary Entry of Goods - see section Trade Regulations, Customs, and Standards

X: ECONOMIC AND TRADE STATISTICS

APPENDIX A: Country Data

Population: 5.160.000
Population growth rate: 0.3%
Religion(s): Lutheran 85.6%, Orthodox 1.1%, no denomination 12.3%, other 1.0%
Government system: Republic
Language(s): Finnish 92.61%, Swedish 5.68%, Russian 0.45%, other 1.22%
Work week: 38.2 (employed full time); 17.8 (part time employees)

APPENDIX B: Domestic Economy

Domestic Economy (USD millions, except as noted):

	1997	**1998 (E)**	**1999(E)**
- GDP	118,992	126,219	122.807
- GDP growth rate	5.9	4.5	3.6
- GDP per capita	23,150	23,602	24,947
- Government spending as percent of GDP(public expenditure)	55.6	52.6	50.7
- Inflation (percent)	1.2	1.4	0.8
- Unemployment (percent) *	12.6	10.3	9.3
- Foreign exchange reserves	9,942	9,005	N/A
- Average exchange rate for $1.00	5.19	5.34	5.3
- Debt service ratio (ratio of principal and interest on foreign debt to foreign income)	6.4	5.5	N/A
- U.S. economic/military assistance	N/A	N/A	N/A

Note: Exchange rates used:
- 1996 - 1US$ = FIM 4.59
- 1997 - 1US$ = FIM 5.19
- 1998 - 1US$ = FIM 5.3 (estimate)
- 1999 - 1US$ = FIM 5.7

* new EU-harmonized statistics

Sources: Statistics Finland, the Ministry of Finance, and the Bank of Finland

APPENDIX C: Trade

USD millions	**1997**	**1998**	**1999**
Total country exports	40,754	42,915	44,503
Total country imports	30,647	32,260	33,680
Exports to U.S.	2,836	3,178	3,470
Imports from U.S.	2,256	2,680	3,058

Sources: Board of Customs, Bureau of Statistics, Confederation of Finnish Industry and Employers (TT), Ministry of Finance.

APPENDIX D: Investment Statistics - see www.bof.fi for statistical information.

XI: U.S. AND COUNTRY CONTACTS

APPENDIX E: U.S. and Country Contacts

U.S. Embassy Trade Personnel

Commercial Service of the United States
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
Or
PSC 78, Box H
APO AE 09723
Tel: (358-9) 171 931
Fax: (358-9) 635 332
E-mail: Helsinki.Office.Box@mail.doc.gov
Mr. Peter Frederick, Senior Commercial Officer (Stockholm)
Mr. Harri Makinen, Commercial Section Chief
Ms. Tarja Kunnas, Commercial Specialist
Ms. Mia Maki, Commercial Specialist
Ms. Heidi Day, Commercial Assistant

Economic Section
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
Tel: (358-9) 171 931
Fax: (358-9) 174 681
Ms. Ingrid Kollist, Economic Section Chief
Ms. Jacqueline Ward, Economic Officer
Ms. Riikka Aho, Economic Assistant

Defense Attache Office
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
Tel: (358-9) 171 931
Fax: (358-9) 171 396
Colonel James R. Luntzel, Defense & Air Attache/Chief, Security Assistance Office
Colonel Klaus Mullinex, Army Attache/SAO Officer
CDR Frederick O. Brackett, Naval Attache/SAO Officer

Foreign Agricultural Service
Dag Hammarskjolds Vag 31
S-115 89 Stockholm, Sweden
Tel: (46-8) 783 5390
Fax: (46-8) 662 8495
E-mail: agstockholm@fas.usda.gov
Mr. Robert C. Tetro, Agricultural Counselor (for Sweden, Finland, Norway, Estonia and Latvia)
Ms. Carol Backman, Agricultural Specialist
Ms. Inger Gozalbez, Agricultural Marketing Specialist
Ms. Bettina Dahlbacka, Agricultural Marketing Assistant
Ms. Ann-Charlotte Bjorkegren, Administrative Assistant

Chambers of Commerce

Mr. Kari Jalas
Managing Director

Central Chamber of Commerce
Aleksanterinkatu 17, WTC Helsinki
FIN-00100 Helsinki, Finland
Tel: (358-9) 696 969
Fax: (358-9) 650 303
Internet: www.keskuskauppakamari.fi
E-mail: keskuskauppakamari@wtc.fi

Mr. Timo Vuori
Secretary General
International Chamber of Commerce (ICC)
Aleksanterinkatu 17, WTC Helsinki
FIN-00100 Helsinki, Finland
Tel: (358-9) 669 459
Fax: (358-9) 6969 6647
Internet: www.iccwbo.fi
E-mail: timo.vuori@wtc.fi

Mr. Heikki J. Perala
Managing Director
Helsinki Chamber of Commerce
Kalevankatu 12
FIN-00100 Helsinki, Finland
Tel: (358-9) 228 601
Fax: (358-9) 2286 0228
Internet: www.helsinki.chamber.fi
E-mail: kauppakamari@helsinki.chamber.fi

Mr. Matti Sundberg
Chairman
Finnish-American Chamber of Commerce
Arkadiankatu 2
FIN-00100 Helsinki, Finland
Tel: (358-20) 4695 539
Fax: (358-204) 695 553

Ms. Sirpa Rissa-Anttilainen
Managing Director
World Trade Center Helsinki
Aleksanterinkatu 17
FIN-00100 Helsinki, Finland
Tel: (358-9) 696 911
(358-9) 6969 2021 (trade information)
Fax: (358-9) 6969 2027
Internet: www.wtc.fi
E-mail: tris@wtc.fi

Country Trade Associations

Mr. Guy Wires
Managing Director
Federation of Finnish Commerce and Trade
Mannerheimintie 76 A
FIN-00250 Helsinki, Finland
Tel: (358-9) 441 651
Fax: (358-9) 496 142
Internet: www.kaupankl.fi
E-mail: guy.wires@kaupankl.fi

- central organization for 40 branch associations

Mr. Hannes Berner
President
Finnish Foreign Agents' Federation
Elimaenkatu 29
FIN-00510 Helsinki, Finland
Tel: (358-9) 8683 1650
Fax: (358-9) 8683 1651
E-mail: fftaf@agenttiliitto.fi

Mr. Sakari Virtanen
Managing Director
Finnish Direct Marketing Association
Lonnrotinkatu 11 A
FIN-00120 Helsinki, Finland
Tel: (358-9) 2287 7400
Fax: (358-9) 6121 039
Internet: www.ssml-fdma.fi
E-mail: sakke@ssml-fdma.fi

Mr. Johannes Koroma
Director General
Confederation of Finnish Industry and Employers
Etelaranta 10
FIN-00130 Helsinki, Finland
Tel: (358-9) 686 81
Fax: (358-9) 6868 2316
Internet: www.tt.fi
E-mail: tt@tt.fi

Mr. Harri Malmberg
Director General
Federation of Finnish Metal, Engineering and Electrotechnical Industries (FIMET)
Etelaranta 10
FIN-00130 Helsinki, Finland
Tel: (358-9) 192 31
Fax: (358-9) 624 462
Internet: www.met.fi
E-mail: harri.malmberg@met.fi

Mr. Timo Poranen
Managing Director
Finnish Forest Industries' Federation
Snellmaninkatu 13
FIN-00170 Helsinki, Finland
Tel: (358-9) 132 61
Fax: (358-9) 1324 445
Internet: www.forestindustries.fi
E-mail: timo.poranen@forestindustries.fi

Mr. Seppo Harkonen
Managing Director
Finpro (Finnish Foreign Trade Association)
Arkadiankatu 2
FIN-00100 Helsinki, Finland
Tel: (358-204) 6951

Fax: (358-204) 695 535
Internet: www.finpro.fi
E-mail: info@finpro.fi

Ms. Sirkka Aura
Chief Executive
Invest in Finland Bureau
Aleksanterinkatu 17 WTC Helsinki
FIN-00100 Helsinki, Finland
Tel: (358-9) 6969 125
Fax: (358-9) 6969 2530
Internet: www.investinfinland.fi
E-mail: investinfinland@wtc.fi

Country Government Offices

Dr. Jaana Husu-Kallio
Veterinary Department
Ministry of Agriculture and Forestry
Kluuvikatu 4 A
FIN-00100 Helsinki, Finland
Tel: (358-9) 1603 385
Fax: (358-9) 1603 338
Internet: www.mmm.fi
E-mail: jaana.husu-kallio@mmm.fi

Ms. Elina Lehto
Director
Employment and Economic Development Center
Maistraatinportti 2
FIN-00240 Helsinki, Finland
Tel: (358-9) 2534 2111
Fax: (358-9) 2534 2000
Internet: www.mol.fi
E-mail: elina.lehto@mol.fi

Dr. Osmo Maki-Petays
Head of Meat Hygiene Unit
National Veterinary and Food Research Institute
P.O. Box 368
FIN-00231 Helsinki, Finland
Tel: (358-9) 3931 899
Fax: (358-9) 3931 811
Internet: www.mmm.fi/hallinnonala/eela
E-mail: osmo.maki-petays@mmm.fi

Mr. Veikko Koskela
Senior Customs Inspector
The Board of Customs
Erottajankatu 2, P.O. Box 512
FIN-00120 Helsinki, Finland
Tel: (358-9) 6141
Fax: (358-9) 6142 256
Internet: www.tulli.fi
E-mail: veikko.koskela@tulli.fi

Mr. Timo Relander
Director General

Statistics Finland
00022 Tilastokeskus
FIN-00580 Helsinki, Finland
Tel: (358-9) 173 41
Fax: (358-9) 1734 2279
Internet: www.stat.fi
E-mail: tiedotus.tilastokeskus@tilastokeskus.fi

Mr. Heikki Partanen
Chief Inspector
Office of Data Protection Ombudsman
Albertinkatu 25, P.O. Box 315
FIN-00181 Helsinki, Finland
Tel: (358-9) 182 51
Fax: (358-9) 1825 7835
Internet: www.tietosuoja.fi
E-mail: tietosuoja@om.vn.fi

Mr. Jyrki Alanko
Manager, Information Services
Finnish Stardardization Association (SFS)
Maistraatinportti 2 A, 3rd fl.
FIN-00240 Helsinki, Finland
Tel: (358-9) 1499 331
Fax: (358-9) 1464 925
Internet: www.sfs.fi
E-mail: info@sfs.fi

Mr. Tuomo Ilomaki
Managing Director
Finnish Electrotechnical Standard Association (SESKO)
Sarkiniementie 3
FIN-00210 Helsinki, Finland
Tel: (358-9) 696 391
Fax: (358-9) 677 059
Internet: www.sesko.fi
E-mail: myynti@sesko.fi

Mr. Martti Enajarvi
Director General
National Board of Patents and Registration
Arkadiankatu 6 A
FIN-00100 Helsinki, Finland
Tel: (358-9) 6939 500
Fax: (358-9) 6939 5328
Internet: www.prh.fi
E-mail: martti.enajarvi@prh.fi

Ms. Eeva Kelloniemi
Engineer - Product Safety
National Consumer Administration
P.O. Box 5, Haapaniemenkatu 4
FIN-00531 Helsinki, Finland
Tel: (358-9) 772 61
Fax: (358-9) 7726 7557
Internet: www.kuluttajavirasto.fi
E-mail: posti@kuluttajavirasto.fi

Country Market Research Firms

Mr. Ari Heino
Managing Director
Research International RI Finland (member of Research Int. Group Ltd.)
Lapinlahdenkatu 3 A
FIN-00180 Helsinki, Finland
Tel: (358-9) 6859 930
Fax: (358-9) 6859 9333
Internet: www.research-int.com

Mr. Jyri Seppa
Managing Director
A.C. Nielsen Finland Oy (specialized in retail trade)
Tietajantie 14
FIN-02130 Espoo, Finland
Tel: (358-9) 430 030
Fax: (358-9) 463 628
Internet: www.nielsen.com
E-mail: acn@acnielsen.fi

Country Commercial Banks

Mr. Pertti Voutilainen
President
Merita Bank Oyj (Merita Bank Plc.)
Aleksanterinkatu 30
FIN-00020 Merita, Finland
Tel: (358-9) 1651
Fax: (358-9) 1654 2838
Internet: www.merita.fi

Mr. Mikael Silvennoinen
Managing Director
Okopankkien Keskuspankki Oyj (Okobank)
Teollisuuskatu 1 b
FIN-00510 Helsinki, Finland
Tel: (358-9) 4041
Fax: (358-9) 4043 703
Internet: www.osuuspankki.fi

Mr. Pentti Hakkarainen
President
Leonia Pankki Oyj (Leonia Bank Plc.)
Etelaesplanadi 8
FIN-00007 Helsinki, Finland
Tel: (358) 204 2511
Fax: (358) 20425 2608
Internet: www.leonia.fi

Mr. Stephen L. Dwyre
Managing Director
Citibank International Plc.
Finland Branch

Aleksanterinkatu 48 A
FIN-00100 Helsinki, Finland
Tel: (358-9) 348 871
Fax: (358-9) 3488 7388
Internet: www.citicorp.com

Washington-Based USG Country Contacts

Ms. Leaksmy Norin
International Trade Specialist
U.S. Department of Commerce
Office of European Union and Regional Affairs
Washington, D.C. 20230
Tel: (202) 482-4414
Fax: (202) 482-2897
E-mail: leaksmy_norin@ita.doc.gov

Mr. Andrew Burst
Area Officer – Eastern Europe & Eurasia
Foreign Agricultural Service
U.S. Department of Agriculture
Washington, D.C. 20250
Tel: (202) 690-3412
Fax: (202) 690-2909
E-mail: BurstA@fas.usda.gov

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel: (202) 720-7420
Fax: (202) 690-4374
Internet: www.fas.usda.gov/agexport/tapohome.html
E-mail: TAPO@fas.usda.gov

TPCC Trade Information Center in Washington
Tel: 1-800-USA-TRADE

U.S. Department of State
Office of Business Affairs
2201 C Street NW
Washington, D.C. 20520-7512
Tel: (202) 746-1625
Fax: (202) 647-3953

Overseas Private Investment Corporation
1100 New York Avenue, NW, 12th fl.
Washington, D.C. 20527
Tel: (202) 336-8799
Fax: (202) 408-9859
Internet: www.opic.gov
E-mail: info@opic.gov

XII: MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: Market Research

List of ISA and IMI topics - FY 1999:

- Air Pollution Control Equipment and Instrumentation
- Fast Food Franchising in Finland
- Renewable Energy Technologies
- Dental Equipment and Services
- Internet Services
- Computer Hardware and Software

During FY 1999, Post submitted several other IMIs on the Showcase Europe sectors (see NTDB).

List of upcoming Industry Sector Analysis - FY 2000:

- Garage Equipment
- Power generation in Finland
- Diagnostic Equipment
- VUSA market
- Value Added Telecommunication Services
- Hazardous Waste Management
- Franchising in Finland

A complete list of market research is available on the Department of Commerce's National Trade Data Bank (NTDB).

- **TRA USDA/FAS/Commodity reports and market briefs:**

Date of Next Report	Subject	Report Code
06/01/99	Tobacco Annual	F19921A
07/15/99	Forest Products Annual	F19955A
09/30/99	Exporter Guide	F19962V

These and additional reports are available at FAS/USDA Homepage http://www.fas.usda.gov

APPENDIX G: Trade Event Schedule

List of significant FY 2000 trade events in Finland:

HITEC 99, Tampere Trade Fair Center, October 20-22, 1999
SOFTA 99, Helsinki Fair at the Wanha Satama, November 10-11, 1999
MATKA '99, Helsinki Travel Fair, Helsinki Fair Center, January 20 23, 2000, Finland's international travel fair (USC supported event)
ELKOM – ELTEK, Helsinki Fair Center, March, 2000
VISIT USA Travel Seminar, Holiday Inn Congress Center, March, 2000 (USC supported event)
GASTRO 2000, March 15-17, 2000
WINE EXPO, Helsinki Fair Center, March 15-18, 2000
POWER GEN, Helsinki Fair Center, June 20-22, 2000
NETEC, Helsinki Fair at the Wanha Satama, April,2000
TT 99 – The Office and Information Technology Fair, Helsinki Fair Center, September 19-21, 2000.